



MANITOBA FINANCIAL SERVICES AGENCY

2 0 1 8  
ANNUAL REPORT





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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, 2018.

Respectfully submitted,

*Original Signed by Scott Fielding*

Honourable Scott Fielding  
Minister





THE MANITOBA  
SECURITIES  
COMMISSION



FINANCIAL  
INSTITUTIONS  
REGULATION BRANCH

The Honourable Scott Fielding  
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, 2018.

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](mailto:securities@gov.mb.ca)  
A PDF version is available at [mbsecurities.ca](http://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

It has been a busy, and very interesting year for the Manitoba Financial Services Agency.

The fiscal year began with Investigation and Enforcement's wheels already in motion to shut-down Binary Options fraud in Canada, while other forms of fraud were just beginning to manifest.

In April 2017, 'cryptocurrency' and 'initial coin offerings' were hardly words on anyone's radar, save for the

very technologically-savvy. By December, the surging price of Bitcoin led to an explosion in the number of blockchain and crypto-asset companies touting their wares—and an equally large increase in associated frauds.

Our Registrations department was kept busy as important amendments to national instruments were made throughout the summer months, while Corporate Finance advised on national policy decisions

throughout the year. It often goes unnoticed just how much these departments contribute to the national dialogue on improving financial regulation. We at the MFSA appreciate their efforts.

Staff of our Real Estate division worked very hard at completion of the regulations to accompany the new Real Estate Services Act (RESA), which will replace the current Act and will greatly modernize the rules governing Manitoba's real estate sector.

It was my honour and pleasure to open the 2017 CSA Compliance Conference at The Forks in September. The conference was considered a major success thanks to the work of our exceptional Compliance and Oversight team.

Released in October, the *Manitoba Custom Report*, which is a region-specific companion report to the *2017 CSA Investor Index*, revealed a number of interesting take-aways about how our citizens are saving, where they're saving, and how much. I applaud our Education and Communications team for their work on the report, and the subsequent media attention around it and other Commission matters throughout the year.

And of course our Legal team have provided outstanding support to every department throughout the year on a variety of matters.

The MFSA has undergone some important staffing changes over the past year as well.

Thank you to Terry Kirkham and Jim Scalena, and I wish them both the very best on their retirement. Terry, MSC's Registrar of Real Estate for many years, was a dedicated and professional public servant, and a valued member of our team. I'm pleased to officially welcome former Deputy Registrar Keith Schinkel to this position.

Jim Scalena, Superintendent of FIRB, first retired in 2014, but the Agency was fortunate to have him back for two additional years until his 'second' retirement. Although we miss Jim, once again I'm pleased to welcome former Deputy Superintendent Scott Moore to this role.

As I look toward my own retirement this autumn, this will be my last official word as part of an MFSA annual report. As such, I'd like to take the opportunity to acknowledge and express my deepest appreciation to the many men and women I've had the privilege to work with as Chair of the Commission these past 21 years. I must thank the remarkable Commissioners I've had the pleasure of serving with in my role—truly some of the most intelligent and capable people I've met in a long career within and outside of government.

## MESSAGE from the CAO

As I look back on my time at MFSA, I above all want to thank and will fondly remember the hardworking and dedicated staff members with whom I have worked. It has truly been my pleasure.

It's been a great honour to serve the people of Manitoba in this position. I offer my most sincere best wishes to the staff of the MFSA, and to my successor, as they carry on with the public mandate we're entrusted with, to regulate, protect, and maintain Manitoba's financial services markets.

It was a busy year.  
It's been a busy 21 years.

Thank you,

*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

### 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.

COMMISSION MEMBERS



*Left to Right: Hon. R.D. Bell, Q.C. | Ms. Anna Maria Magnifico | Hon. J.T. (Jack) McJannet, Q.C.  
Ms. Deborah J. Metcalfe, Vice-Chair | Mr. Don Murray, Chair | Ms. Andrea Martens*

## 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.



**Scott Moore**  
Superintendent, Financial Institutions  
Regulation Branch

FIRB regulates Credit Union Central and the Deposit Guarantee Corporation of Manitoba, the province's credit unions and caisses populaires, regulation and licensing of private insurers and special insurance brokers, and Manitoba's co-operatives. FIRB also assists with developing offering documents for credit unions, caisses populaires and co-ops that wish to sell investment shares to their members, 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.



**Keith Schinkel**  
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



**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.



**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.



**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.





**J a s o n R o y**  
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.



**M a r l e n e N e m e s**  
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.



**A i n s l e y C u n n i n g h a m**  
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.

Don Murray - MFSA CAO

THE MANITOBA SECURITIES COMMISSION

Don Murray - MSC Chair and CEO Kelly Dryden - Administrative Assistant

SECURITIES

Chris Besko - Director and General Counsel

LEGAL

Kimberly Laycock, Steve Gingera, Sophia Mapara - *Legal Counsel*

Angela Manness - *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*

Nadiene Wainwright - *Compliance Clerk*

REGISTRATIONS

Sue Henderson - Deputy Director

Wanda Cook, Terri Pettinger, Kristen Smyrski, Maryam Audu - *Registration Clerks*

FINANCE & ADMINISTRATION

Marlene Nemes - Controller | 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*

Mary Lynn Escarlan - *Administrative Assistant*

EDUCATION & COMMUNICATIONS

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

REAL ESTATE

Keith Schinkel - Registrar | Terry Kirkham - Registrar *(to September 2017)*

Allan Pamplona - *Deputy Registrar, Compliance*

Ashlee Nadeau - *Real Estate Clerk* | Jayleen Benderski - *Real Estate Clerk*

FINANCIAL INSTITUTIONS REGULATION BRANCH

Scott Moore - Superintendent | Jim Scalena - Superintendent *(to December 2017)*

Christine Fiset - *Insurance Officer*

Bev Blakesley, Pat Anderson, Rosy Dizon - *Administrative Assistants*

Djemal Halilagic, Kostas Katsiroubas - *Financial Services Officers*





MFS A 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, Education & Communications and Corporate Finance.

FIRB consists of the Superintendent, two financial services officers, a part-time insurance complaints officer and administrative support employees.

The MFS A 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, top, left to right:*

Allan Pamplona – 5 years  
Bev Blakesley – 35 years  
Ashlee Nadeau – 5 years  
Steve Gingera – 15 years  
Sue Henderson - 30 years  
Don Murray – 20 years  
Jayleen Benderski – 10 years

### Holiday Hampers

Throughout December, MFSA staff collected food, toiletries and funds for Siloam Mission. On December 18, staff donated two large boxes of non-perishable food items and personal hygiene products including toothbrushes, toothpaste and hygiene products, and one large box and three grocery bags full of clothing, socks, underwear, winter hats and mittens. The Mission was also presented with a cheque for \$61.

Staff members Kristen Smyrski and Tiffany Malak delivered the items on behalf of the MFSA team.

An additional thanks to Kristen for getting everyone motivated and organizing this inspiring act of kindness!

### Helping at Harvest

In 2017, MFSA led the second-annual **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.

### FUNdraising Feat

Many MFSA staff participate in a voluntary pay-day pool draw at a cost of \$2, with 25 per cent of total funds collected for donation to a charity each year.

In the reporting year, charitable funds went to Jocelyn House Hospice. The Hospice was presented with a cheque for \$306 to go toward comfort and end-of-life care for the terminally ill. Jocelyn House staff and volunteers work to “add life to final days.”







*Many of the MFSA team 'dressed for success' on Casual Fridays during the playoffs*





Compliance and Oversight continues to focus on performing registrant compliance reviews, conducting oversight of market participants, and working on various policy initiatives.

In September 2017, Compliance and Oversight hosted the annual Canadian Securities Administrators (CSA) Compliance Conference in Winnipeg. The conference is a long-standing tradition in the CSA, bringing together Compliance

staff from across Canada to discuss initiatives related to monitoring the activities of registrants. The conference plays an important role in meeting the challenges of the ever-evolving regulatory landscape by providing a forum to expand knowledge and enhance regulatory collaboration.

Throughout the fiscal year, we focused attention on matters such as cybersecurity and social media, business continuity,





*Above: MSC Compliance Auditor Brad Woods addresses guests at the 2017 CSA Compliance Conference in Winnipeg.  
Left: Detail of the Conference program cover. The three-day meeting brought more than 50 guests from across Canada as well as the US.*

senior issues, FinTech, and over the counter (OTC) derivatives regulation. We also conducted reviews and risk assessments of the self regulatory organizations we oversee as part of our marketplace oversight.

Work continues at the CSA level on the development of an OTC derivatives regime. In addition to those rules that are already in place, the CSA Derivatives committee has been working to develop

proposed rules related to business conduct and registration. Once implemented, the two rules will provide a comprehensive regime for persons and firms that are in the business of trading or advising in OTC derivatives.



## INVESTIGATIONS & ENFORCEMENT

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

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

As was the case in 2016, Investigations spent considerable time and attention throughout 2017 on combatting Binary Options fraud—one the most wide-spread and destructive forms of investment fraud in the world.

The Manitoba-led CSA Binary Options Task Force had a highly productive year, which included work that helped lead to:

- A Canadian ban on Binary Options,
- An Israeli ban on Binary Options,
- Twitter, Google, Facebook and Apple bans on Binary Options Apps and Advertising,
- Changes within the Credit Card industry related to Binary Options, and
- National and local media attention in print, radio, web, and television, including feature stories by CTV's *W5* and CBC's *On the Money*.

In early 2018, the Binary Options Task Force has expanded its purview and reformed as the CSA Investment Fraud Task Force, focussed on the next wave of investment fraud, including Cryptocurrency and Initial Coin Offering (ICO) fraud.

Fraud connected to cryptocurrencies has seen an extraordinary surge in the past year. The total number of ICOs worldwide grew from about four in spring of 2017, to over 1,000 by February 2018. Largely propelled by the Bitcoin 'craze', this sudden interest in cryptocurrencies and ICOs has created fertile ground for fraud. Investigations is working proactively to stay ahead of this fraud in Manitoba, and has collaborated with the Educations and Communications team on a number of public awareness pieces (Page 21).

**The MSC issued 12 Investor Alerts and Cautions regarding Investment Frauds in 2017.**

**51 Manitobans reported being victimized by a Binary Options scam in the reporting year.**





*Above: MSC Senior Investigator Jason Roy (left) meets with WS reporter Avery Haines (right) in January 2018, along with WS Producer Stephen Grant (2nd from left), MSC's Ainsley Cunningham (centre) and cameraman Kirk Neff.*

**Total Complaints | April 1, 2017 to March 31, 2018**

**SECURITIES**

|                                      |     |
|--------------------------------------|-----|
| General Investigation and Inquiries: | 295 |
| Formal Investigation Files:          | 19  |

**REAL ESTATE**

|                                      |     |
|--------------------------------------|-----|
| General Investigation and Inquiries: | 116 |
| Formal Investigation Files:          | 8   |



## EDUCATION & COMMUNICATIONS

Education and Communications lead the MSC's public engagement objectives, designing and implementing programs and materials to support investor education and fraud awareness across a wide range of media. This includes everything from single-page infographics, wide-ranging public information campaigns, media outreach and speaking engagements.

Staff from the department attended the Financial Consumer Agency of Canada's fall conference in Montreal as guest speakers, and also spoke at the CSA Compliance Conference in Winnipeg (Page 17) on investment fraud awareness.

In 2017, we continued to coordinate work between the CSA's Binary Options Task Force, Communications and Investor Education Committees on the national campaign against Binary Options fraud. Our work this year paid considerable dividends, as noted by Investigation and Enforcement (page 19). The robust media coverage across Canada included a 25-minute feature story on CTV's *W5* investigative news program. The overall campaign earned millions of total impressions, indicating nearly one-in-three Canadians saw our message.

Also in Education, MSC contributed time and resources to the CSA's Check Registration campaign and promotion of the National Registration Search tool. A Manitoba-focused version of this campaign ran during March Fraud Prevention Month.

Excluding mentions as part of broader CSA work, Education and Communications earned MFSA more than 50 media hits from local, national, and international media, across print, radio, television and the web.

The MSC commissioned the *Manitoba Custom Report* as a region-specific companion report to the *2017 CSA Investor Index*. Notable findings included:

28 per cent of Manitobans 18+ have no savings and no investments for the future. The national figure is 31 per cent.

53 per cent have savings in an RRSP, RRIF or pension plan; 41 per cent have a TFSA, and 29 per cent have money saved outside of those four products.

For those who do invest, nearly half of Manitobans have less than \$50,000 saved.

Just seven per cent of Manitobans surveyed had a reasonable expectation of a market rate of return. The national figure is nine per cent.

One-in-five Manitobans has been targeted by fraud – 20 per cent compared to 18 per cent nationally.

Five per cent say they've actually invested in what turned out to be a fraud – up slightly from three per cent in 2012, and the national average of four per cent.

Just over a quarter of investors take the time to check their adviser's registration and background – 27 per cent in Manitoba and 29 per cent nationally.





**The Road Ahead**

In-depth user interviews conducted in 2017 have helped shape development of the new MoneySmart Manitoba website, which will officially launch later in 2018. The new site is tailored to deliver basic to mid-level financial education tips and strategies to a distinctly Manitoban audience.

The department has also worked closely with Investigations to produce a number of communications materials on cryptocurrency and ICOs, including infographics, brochures, and an online campaign on the risks and red flags of fraud. With blockchain-related ventures such a hot topic at the moment, there is considerably more work ahead in the coming year.

*Top: Logo for MoneySmart Manitoba, a new financial literacy website tailored to the unique needs of our province.*

*Right: MSC cryptocurrency infographic*



**@ M S C o m m i s s i o n**

Created: October 2014  
 Followers: 305  
 Tweets per week: 10 - 15  
 Impressions per day: 500  
 Highest single-day: 7,602 impressions - March 28

*\* For the fiscal year 2017/2018*



## 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.

In the reporting year, MSC chaired the CSA Registrant Regulation Committee (RRC), which includes members from other CSA jurisdictions, the Mutual Fund Dealers Association (MFDA), and Investment Industry Regulatory Organization of Canada (IIROC).

On July 27, 2017, RRC helped coordinate the publication of final rule amendments, which included:

A) proposed amendments to NI 31-103 and the companion policy to clarify the scope of activities an exempt market dealer 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 Client Relationship Model: Phase 2 (CRM2);

D) proposed housekeeping amendments to NI 31-103 and NI 33-109. The amendments, other than the custody amendments described in b) came into force on December 4, 2017. The custody amendments come into force six months later, on June 4, 2018.

RRC also issued a caution to firms and individuals about the potential consequences of submitting false or misleading applications for registration in *CSA Staff Notice 33-320 The Requirement for True and Complete Applications for Registration* on July 13, 2017.

RRC published guidance relating to dealing representatives that require enhanced supervision on their trading activities in *CSA Staff Notice 31-349 Change to Standard Form Reports for Close Supervision and Strict Supervision Terms and Conditions* on July 13, 2017.

The notice describes close and strict supervision and outlines changes to standard form reports.

The Committee monitors and discusses various operational issues that arise, including system changes to the National Registration Database, novel applications for exemptive relief, addressing concerns raised by the Portfolio Management Association of Canada concerning relationship managers, trade confirmation for investment fund manager-initiated

trades to switch between different series in a fund, new requirements concerning syndicated mortgages in Ontario, and day trading business models.

RRC also worked jointly with the CSA Compliance Committee on various matters, including regulation of PM and the IIROC dealer service arrangements (including account statement requirements), custodial issues, and providing interpretative support to that committee.

#### REGISTRATIONS: 2012 through 2018

|                           | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | 2012-13 |
|---------------------------|---------|---------|---------|---------|---------|---------|
| The Securities Act        | 21,578  | 21,079  | 20,659  | 20,367  | 20,012  | 19,743  |
| The Commodity Futures Act | 376     | 368     | 449     | 411     | 421     | 450     |



## CORPORATE FINANCE

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.

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

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:

- A) Reviewing requirements and disclosures related to rights offerings, along with the completion of issue-oriented reviews for two Manitoba reporting issuers.

*CSA Staff Notice 45-323 Update on Use of the Rights Offering Exemption in National Instrument 45-106 Prospectus Exemptions* published on April 20, 2017, provided an update on the use of the streamlined rights offering exemption for reporting issuers

and provided guidance based on the reviews of offerings using the exemption.

- B) 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.

*CSA Staff Notice 58-309 Staff Review of Women on Boards and in Executive Officer Positions – Compliance with NI 58-101 Disclosure of Corporate Governance Practices* published October 5, 2017, reported on disclosure regarding women on boards and in executive officer positions as prescribed in *National Instrument 58-101 Disclosure of Corporate Governance Practices*.

- C) Reviewing requirements and disclosures related to climate change, along with the completion of issue-oriented reviews for two Manitoba reporting issuers.

*CSA Staff Notice 51-354 Report on Climate change-related Disclosure Project* published April 5, 2018, reported on disclosure by reporting issuers of risks and financial impacts associated with climate change. The project included research, consultations and review of mandatory continuous disclosure documents, sustainability reports and other voluntary disclosures in relation to climate change-related risks, financial impacts and related governance.

D) Considering the option of discontinuing embedded commissions paid by investment fund managers to dealers and their representatives.

*CSA Consultation Paper 81-408 Consultation on the Option of Discontinuing Embedded Commissions* was published January 10, 2017. An update for this consultation will be completed June 2018 in conjunction with the Client Focused Reforms project.

E) Considering the implications of cryptocurrency offerings (such as initial coin offerings (ICO), initial token offerings (ITO) and sales of securities of cryptocurrency investment funds).

*CSA Staff Notice 46-307 Cryptocurrency Offerings* published August 24, 2017, was intended to help financial technology businesses understand what obligations may apply under securities laws.

F) Considering the disclosure expectations of issuers with U.S. Marijuana-Related Activities

*CSA Staff Notice 51-352 Issuers with U.S. Marijuana-Related Activities* published October 16, 2017 and revised on February 8, 2018 provided staff's specific disclosure expectations for issuers that currently have, or are in the process of developing, marijuana-related activities in the U.S. only where such activity has been authorized

within a state regulatory framework.

G) Considering the regulatory burden of investment fund and non-investment fund reporting issuers.

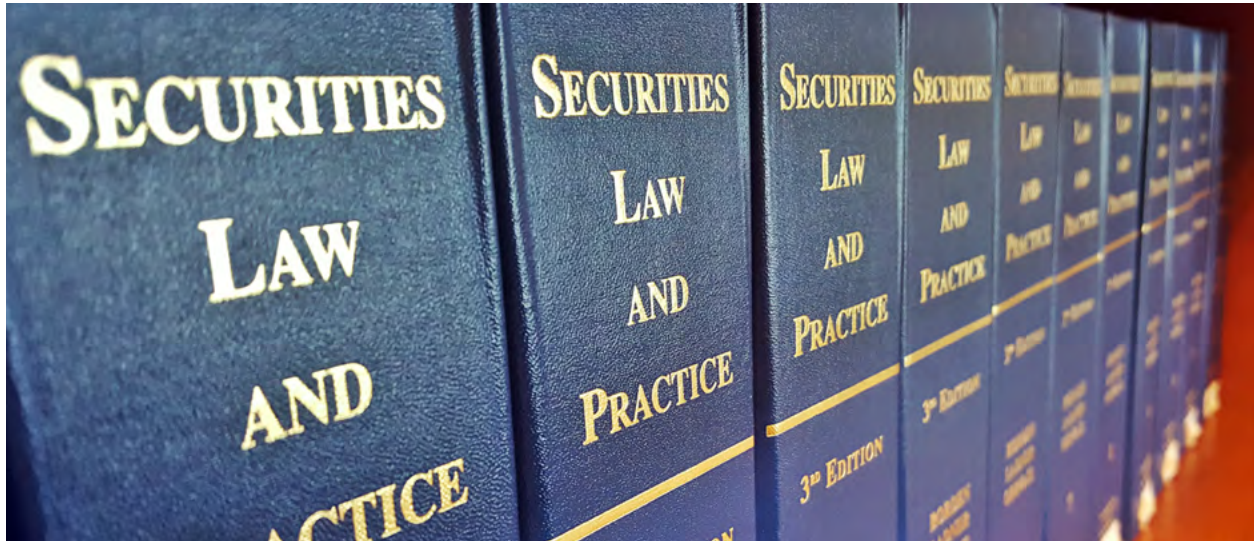
*CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers* published April 6, 2017 identified and considered areas of securities legislation applicable to non-investment fund reporting issuers that could benefit from a reduction of undue regulatory burden, without compromising investor protection or the efficiency of the capital market.

On the same matter, *CSA Staff Notice 51-353 Update on CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers* published March 27, 2018, updated stakeholders on the status of the consultation, as well as outline the policy initiatives being undertaken and the next steps in this initiative.

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*.

*For a list of filings processed during fiscal year 2017-2018, please see Agency Statistics on Page 60.*





The Legal department continues to provide ongoing support to all areas of the MFSA. On the securities regulation side, this includes 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, introducing new exemptions, implementing the Client Relationship Model: Phase 2 (CRM2) revisions to enhance the client relationship for investors, new custody rules, 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 continues to

be 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.

On the Real Estate and Mortgage Brokerage side, we have assisted in developing legislation and regulations, as well as enhancing the protection of consumers participating in the real estate and mortgage markets.

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

## FINANCIAL INSTITUTIONS REGULATION BRANCH

FIRB provides regulatory oversight to the insurance sector, trust and loan companies, credit unions and caisses populaires, and cooperatives operating in Manitoba, and is responsible for administering their respective Acts.

As of January 1, 2018, administration of *The Insurance Corporations Tax Act* and collection of the fire prevention fund tax was transferred from FIRB to the Taxation Division. Taxpayers (Insurers, Special Insurance Brokers) will now pay their taxes when filing an annual return due on March 20 of the following year with the Taxation Division. The first annual return and tax payment with the Taxation Division will be due on March 20, 2019.

In 2017, credit union sector stakeholders were consulted regarding proposed amendments to *The Credit Union and Caisses Populaires Act*. Proposed amendments primarily consisted of strengthening the Registrar's authorities to effectively assume the increased responsibility of providing prudential oversight of Credit Union Central of

Manitoba (CUCM). Legislative Counsel has been drafting the amendments as FIRB awaits further direction as to when the amending Bill will be introduced. FIRB assumed sole responsibility for supervision of CUCM as of January, 2017, as noted in last year's Annual Report.

As an active member of the Canadian Council of Insurance Regulators (CCIR), FIRB continues to work cooperatively with its colleagues on a number of regulatory initiatives towards increasing regulatory consistency and harmonization. These efforts include a commitment to cooperative supervisory activities, ensuring that customers are treated fairly and cooperative approaches to emerging technology in financial services and the insurance markets. In April 2017, FIRB's Scott Moore was elected as a Vice-Chair to the CCIR Executive for a two-year term.

*The staff of FIRB would like to thank Jim Scalena for his many years of service to the province as Superintendent, and congratulate him on his retirement as of December 2017. Best wishes, Jim!*



MSC's Real Estate Division provides regulatory oversight to the real estate and mortgage broker industries in Manitoba, and is responsible for administering *The Real Estate Brokers Act* and *The Mortgage Brokers Act*.

Real Estate Division staff review and approve applications for individuals and companies seeking registration under the Acts administered, and oversee maintenance of the public registry of individuals and companies entitled to do business in the real estate and mortgage broker industries in Manitoba. The Division administers a compliance and audit program to ensure registrants comply with regulatory requirements pertaining to handling trust monies.

The Division also contributes to the development of real estate policy and regulation.

Staff of the Division are working towards completion of the regulations to accompany the new *Real Estate Services Act* (RESA). RESA will replace the existing Real Estate Brokers Act and will greatly modernize the regulatory structure that governs the real estate industry in Manitoba.

### **Broker Trust Accounts**

Interest earned on real estate brokers' trust accounts is held in trust by MSC, and used to fund special projects and initiatives connected to real estate and housing in Manitoba.

The Real Estate Advisory Committee (REAC) reviews and recommends projects to the MSC for funding from the interest earnings for the purposes outlined in subsection 26(1.7) of the *Act*, including the following types of projects

- (a) real estate-related educational programs
- (b) real estate research and legislative reform
- (c) the study and improvement of real estate business practice
- (d) other projects designed to further the objectives of the Act

This past year, based on a recommendation received from REAC, the Commission approved a funding request from Habitat for Humanity to help them build a townhouse project to Net Zero Ready standards (see Page 31).



Net Zero Ready refers to buildings that produce as much energy as they consume. The reduced energy consumption that results from buildings constructed to these standards are beneficial to both homeowners and the environment.



The Commission is proud to be able to provide funding to a project that positively impacts our community.



*Staff of the Real Estate Division also extend our warm regards to former Registrar Terry Kirkham, who began his retirement in September 2017 after many years of service to the people of Manitoba.*



### 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 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 \$218,000.

Funds were distributed to the following in 2018:

|   |                  |
|---|------------------|
| MREA – Update of Manitoba Education Courses<br>for Real Estate Services Act | \$160            |
| Housing Opportunity Partnership   | 25               |
| Habitat for Humanity  | 33               |
| <b>Total</b>  | <b>\$218,000</b> |

Broker Trust Account fund distribution figures for 2015/16 and 2016/17 are summarized on the following page.



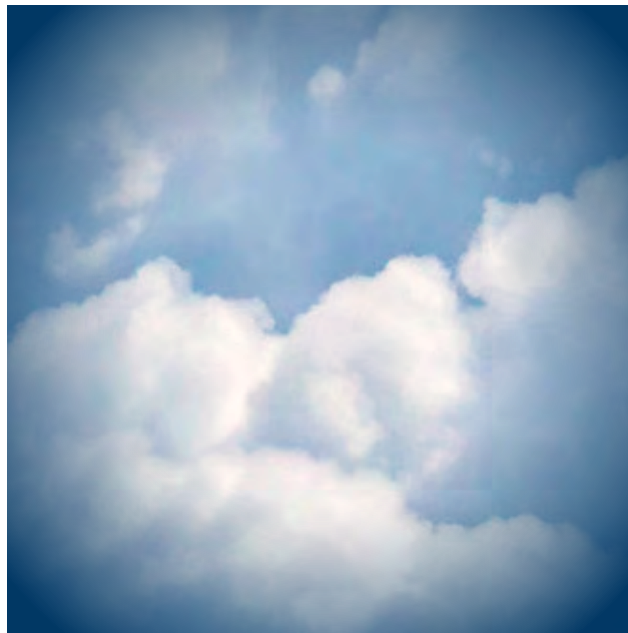
Funds were distributed to the following in 2016/17:

|   |                  |
|---|------------------|
| 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               |
| <b>Total</b>  | <b>\$172,000</b> |

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               |
| <b>Total</b>                            | <b>\$153,000</b> |





# MANAGEMENT'S DISCUSSION and ANALYSIS

for the year ended March 31, 2018



## Management's Discussion and Analysis

The following is a discussion and analysis for the operating results of Manitoba Financial Services Agency (MFSA) for the year ended March 31, 2018. It should be read in conjunction with the Agency's audited financial statements beginning on page 39.

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.

## Results of Operations

### Net Income

Net income for the year ended March 31, 2018 was \$5 million, an increase over the prior year by \$1.3 million. Revenues of \$22 million exceeded budgeted revenue by \$3.5 million. Expenses of \$5 million came in under budget by \$859,000. The net result was net income exceeded budgeted net income by \$4.3 million.

### Revenue

The Agency exceeded its revenue targets by \$3.5 million or 19% because of increased market activity. This year's revenue totaled \$22 million, as compared to last year's total of \$20.9 million. See table below for details.

| (in thousands)         | 2018            | % of total  | 2017            | % of total  | 2018<br>% increase/<br>decrease<br>from 2017 |
|------------------------|-----------------|-------------|-----------------|-------------|--|
| Corporate finance fees | \$12,618        | 57%         | \$12,496        | 60%         | 1%   |
| Registration fees      | 5,935           | 27%         | 5,799           | 28%         | 2.3%   |
| FIRB fees              | 1,801           | 8%          | 1,827           | 9%          | (1.4)%                                       |
| Legal fees             | 873             | 4%          | 106             | -           | 724%   |
| Real Estate fees       | 545             | 3%          | 532             | 3%          | 2.4%   |
| Investment income      | 170             | 1%          | 114             | -           | 49%  |
| Miscellaneous income   | 98              | -           | 28              | -           | 250%   |
|                        | <b>\$22,040</b> | <b>100%</b> | <b>\$20,902</b> | <b>100%</b> | <b>5.4%</b>                                  |

## MANAGEMENT'S DISCUSSION and ANALYSIS

### Revenue (continued)

Corporate finance fees and registration fees accounted for 84% of the Agency's 2018 revenues. Corporate finance fees are made up of prospectus fees and fees related to filings such as financial statements, annual information forms and rights offerings. Registration Fees are comprised of fees for registration of advisors, dealers and representatives. FIRB fees consist of Insurance fees, Coop/Credit Union Regulation Fees and Trust and Loan Fees.

### Expenses

Overall, total expenses for fiscal year 2018 were \$5 million, a 6.6% decrease over fiscal year 2017 (\$5.4 million). See table below for details.

| (in thousands)        | 2018           | % of total  | 2017           | % of total  | 2018<br>% increase/<br>decrease<br>from 2017 |
|-----------------------|----------------|-------------|----------------|-------------|--|
| Salaries and benefits | \$3,659        | 73%         | \$3,806        | 71%         | (3.9)%                                       |
| Operating expenses*   | 1,368          | 27%         | 1,575          | 29%         | (13.1)%                                      |
| Amortization          | 25             | -           | 27             | -           | -  |
|                       | <b>\$5,052</b> | <b>100%</b> | <b>\$5,408</b> | <b>100%</b> | <b>(6.6)%</b>                                |

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

Total expenses were \$859,000 (14.5%) below budget. Variances in salaries and benefits and operating expenses are explained below.

### Salaries and Benefits

Overall, salaries and benefits decreased by 3.9% or \$147,000 over the previous year. For the fiscal year ending March 31, 2018, salaries and benefits were 12.8% below budget due to five vacancies and the impact of the Voluntary Reduced Work Week program.

### Operating Expenses

Operating expenses for the fiscal year were 13.1% lower than last year and were under budget by \$323,000 or 19.1% primarily due to:

- CSA Initiatives - under budget by \$35,000 due to lower than expected expenditures for national initiatives.
- Contract Services – under budget by \$136,000 due to lower than expected internet development costs, information systems costs and National Systems Renewal Program costs.

### **Operating Expenses (continued)**

- Education Initiatives – under budget by \$72,000 due to timing of initiatives.
- Miscellaneous – under budget by \$11,000 due to the timing of a conference.
- Staff Development & Professional Dues – under budget by \$19,000 due to lower than expected membership fees.
- Travel – under budget by \$40,000 due to the timing of committee meetings.
- Professional Services – under budget by \$13,000 due to lower than expected legal and consulting fees.
- Research Resources – over budget by \$14,000 due to higher than expected Education resource costs.

### **Capital Expenditures**

Capital expenditures for the 2017-2018 fiscal year were \$8,400. Capital expenditures are financed by funds provided through operations.

### **Liabilities**

Accrued liabilities were \$77,000 for the year ending March 31, 2018. This balance represents accrued vendor obligations. Accrued vacation and severance liabilities were \$310,000 and \$522,000 respectively as at March 31, 2018 (March 31, 2017 - \$302,000 and \$500,000). Accrued salaries and benefits were Nil for the year ending March 31, 2018 as was March 31, 2017. 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 \$12 million and an additional payment of \$5 million in the first quarter. 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, 2018.

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, 2018 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.

### **2018/19 Overview**

For the fiscal year ending March 31, 2019, the Agency has budgeted revenue of \$20.3 million and budgeted expenses of \$6 million. Transfers to the Province of Manitoba for the fiscal year 2018-19 are set at \$14 million.

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



### Information Technology

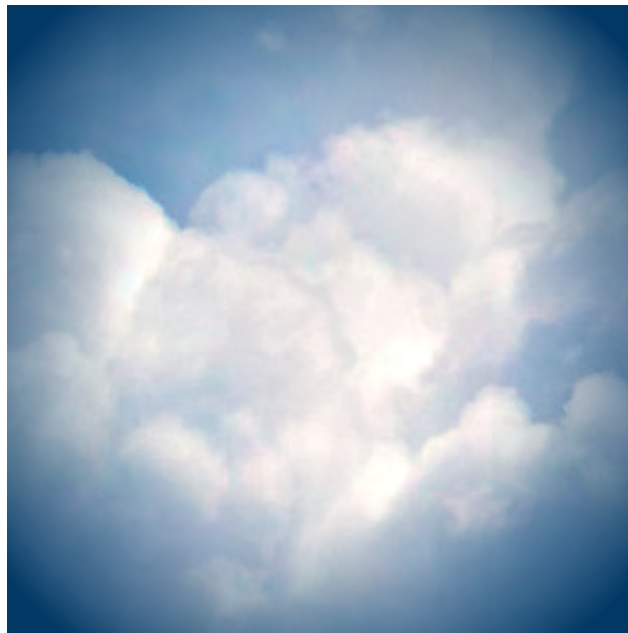
As of March 31, 2018, the Agency had the following internal systems in place:

- 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 – Data base 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 SEDAR and MSCIS 2.0.

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

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

These systems allow the Commission to receive, store and access pertinent information and documentation filed with respect to *The Securities Act*, *The Commodity Futures Act*, *The Real Estate 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, 2018

- 40. Management's Responsibility  
for Financial Reporting
- 41. Independent Auditor's Report
- 43. Financial Statements
- 47. Notes to Financial Statements
- 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*

**Donald G. Murray**  
CAO, MFSA  
Chair and CEO, MSC

*Original Signed by Marlene Nemes*

**Marlene Nemes, CPA, CMA**  
Controller

*May 11, 2018*



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Winnipeg MB R3C 4L5 Canada

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## **Independent Auditor's Report**

To The Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the MANITOBA FINANCIAL SERVICES AGENCY which comprise the statement of financial position as at March 31, 2018, 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,

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## 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, 2018, 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.



Chartered Professional Accountants  
Winnipeg, Manitoba  
May 11, 2018

# MANITOBA FINANCIAL SERVICES AGENCY

## Statement of Financial Position (in thousands)

| March 31                                 | 2018            | 2017            |
|--|-----------------|-----------------|
| <b>Financial Assets</b>                  |                 |                 |
| Cash and cash equivalents (Note 5)       | \$21,532        | \$21,506        |
| Accounts receivable (Note 6)             | 115             | 71              |
| Portfolio investments                    | 1,019           | 1,019           |
|  | <b>22,666</b>   | <b>22,596</b>   |
| <b>Liabilities</b>                       |                 |                 |
| Accounts payable and accrued liabilities | 77              | 33              |
| Accrued vacation entitlements            | 310             | 302             |
| Employee future benefits (Note 7)        | 522             | 500             |
|  | <b>909</b>      | <b>835</b>      |
| <b>Net financial assets</b>              | <b>21,757</b>   | <b>21,761</b>   |
| <b>Non-financial Assets</b>              |                 |                 |
| Tangible capital assets (Note 8)         | 55              | 72              |
| Prepaid expenses                         | 61              | 52              |
|  | <b>116</b>      | <b>124</b>      |
| <b>Accumulated surplus</b>               | <b>\$21,873</b> | <b>\$21,885</b> |

Designated assets (Note 9)  
Commitments (Note 10)

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



# MANITOBA FINANCIAL SERVICES AGENCY

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

| For the year ended March 31  | 2018 Budget     | 2018 Actual     | 2017 Actual |
|--|-----------------|-----------------|-------------|
| <b>Revenue</b>   |                 |                 |             |
| Fees   | \$18,493        | \$21,772        | \$20,760    |
| Interest   | 65              | 170             | 114         |
| Miscellaneous  | 15              | 98              | 28          |
|  | 18,573          | 22,040          | 20,902      |
| <b>Expenses</b>  |                 |                 |             |
| Amortization - capital assets  | 24              | 25              | 27          |
| CSA initiatives*   | 105             | 70              | 71          |
| Contract services  | 390             | 254             | 278         |
| Education / Information initiatives                                  | 122             | 50              | 45          |
| Miscellaneous  | 37              | 26              | 25          |
| Office materials and supplies  | 74              | 69              | 69          |
| Premises   | 557             | 557             | 547         |
| Professional services  | 122             | 109             | 303         |
| Research resources   | 54              | 68              | 46          |
| Salaries and benefits  | 4,196           | 3,659           | 3,806       |
| Staff development and professional dues                              | 58              | 39              | 30          |
| Telecommunications   | 81              | 75              | 77          |
| Travel   | 91              | 51              | 84          |
|  | 5,911           | 5,052           | 5,408       |
| <b>Annual operating surplus</b>                                      | <b>12,662</b>   | <b>16,988</b>   | 15,494      |
| <b>Transfer to Province of Manitoba (Note 11)</b>                    | <b>12,000</b>   | <b>12,000</b>   | 11,800      |
| <b>Annual surplus</b>  | <b>662</b>      | <b>4,988</b>    | 3,694       |
| <b>Accumulated surplus, beginning of year</b>                        | <b>21,885</b>   | <b>21,885</b>   | 23,191      |
| <b>Additional Transfer to<br/>the Province of Manitoba (Note 11)</b> | <b>5,000</b>    | <b>5,000</b>    | 5,000       |
| <b>Accumulated surplus, end of year</b>                              | <b>\$17,547</b> | <b>\$21,873</b> | \$21,885    |

\*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                            | 2018 Budget     | 2018 Actual     | 2017 Actual     |
|--|-----------------|-----------------|-----------------|
| <b>Annual surplus</b>                                  | <b>\$662</b>    | <b>\$4,988</b>  | <b>\$3,694</b>  |
| <b>Tangible Capital Assets</b>                         |                 |                 |                 |
| Acquisition of tangible capital assets                 | (10)            | (8)             | -               |
| Amortization of tangible capital assets                | 24              | 25              | 27              |
| <b>Net change in tangible capital assets</b>           | <b>14</b>       | <b>17</b>       | <b>27</b>       |
| <b>Other Non-financial Assets</b>                      |                 |                 |                 |
| (Decrease) increase in prepaid expense                 | -               | (9)             | 113             |
| <b>Net acquisition of other non-financial assets</b>   | <b>-</b>        | <b>(9)</b>      | <b>113</b>      |
| <b>Increase in net financial assets</b>                | <b>676</b>      | <b>4,996</b>    | <b>3,834</b>    |
| <b>Net financial assets, beginning of year</b>         | <b>18,102</b>   | <b>21,761</b>   | <b>22,927</b>   |
| <b>Additional transfer to the Province of Manitoba</b> | <b>(5,000)</b>  | <b>(5,000)</b>  | <b>(5,000)</b>  |
| <b>Net financial assets, end of year</b>               | <b>\$13,778</b> | <b>\$21,757</b> | <b>\$21,761</b> |

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

# MANITOBA FINANCIAL SERVICES AGENCY

## Statement of Cash Flows (in thousands)

| For the year ended March 31                             | 2018            | 2017            |
|---|-----------------|-----------------|
| <b>Cash provided by (applied to):</b>                   |                 |                 |
| <b>Cash Flows from Operating Activities</b>             |                 |                 |
| Annual surplus  | \$4,988         | \$3,694         |
| Amortization of tangible capital assets                 | 25              | 27              |
|   | 5,013           | 3,721           |
| Changes in non-cash working capital balances            |                 |                 |
| Accounts receivable                                     | (44)            | (45)            |
| Prepaid expenses  | (9)             | 113             |
| Accounts payable and accrued liabilities                | 44              | (161)           |
| Accrued vacation entitlements                           | 8               | 1               |
| Accrued salaries and benefits                           | -               | (227)           |
| Employee future benefits                                | 22              | 46              |
|   | 5,034           | 3,448           |
| <b>Cash Flows from Capital Activities</b>               |                 |                 |
| Aquisition of capital assets                            | (8)             | -               |
| <b>Cash Flows from Financing Activities</b>             |                 |                 |
| Transfer to Province of Manitoba                        | (5,000)         | (5,000)         |
| <b>Increase (decrease) in cash and cash equivalents</b> | <b>26</b>       | <b>(1,552)</b>  |
| <b>Cash and cash equivalents, beginning of year</b>     | <b>21,506</b>   | <b>23,058</b>   |
| <b>Cash and cash equivalents, end of year</b>           | <b>\$21,532</b> | <b>\$21,506</b> |
| <b>Supplementary Information</b>                        |                 |                 |
| Interest received                                       | \$147           | \$113           |

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

**Notes to Financial Statements (in thousands) for the year ended March 31,2018**

**1. Nature of Organization**

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

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 Manitoba Securities Commission subsequently came under the umbrella of the Finance Department with the Minister of Finance responsible for the Agency.

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

**2. Basis of Accounting**

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

**3. Significant Accounting Policies**

Revenue

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

**Notes to Financial Statements (in thousands) for the year ended March 31,2018**

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.

**Notes to Financial Statements (in thousands) for the year ended March 31, 2018**

**4. Financial Instruments and Financial Risk Management**

Financial instruments are classified into one of the two measurement categories:

(a) fair value; or (b) cost or amortized cost.

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

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

Financial Risk Management Overview

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

Credit Risk

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

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

|                           | <b>2018</b>     | 2017     |
|---------------------------|-----------------|----------|
| Cash and cash equivalents | <b>\$21,532</b> | \$21,506 |
| Accounts receivable       | <b>115</b>      | 71       |
| Portfolio investments     | <b>1,019</b>    | 1,019    |
|                           | <b>\$22,666</b> | \$22,596 |



**Notes to Financial Statements (in thousands) for the year ended March 31, 2018****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, 2018 (Nil in 2017).

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.

**Notes to Financial Statements (in thousands) for the year ended March 31, 2018**

**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**

|                  | <u>2018</u>  | <u>2017</u> |
|------------------|--------------|-------------|
| Accrued interest | \$37         | \$16        |
| Trade            | <u>78</u>    | <u>55</u>   |
|                  | <b>\$115</b> | <b>\$71</b> |

**7. Employee Future Benefits**

Pension Benefits

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

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

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2018 was \$213 (\$216 in 2017). 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, 2017. The report provides a formula to update the liability on an annual basis. The special

**Notes to Financial Statements (in thousands) for the year ended March 31, 2018**

**7. Employee Future Benefits (continued)**

operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2018 is \$522 (\$500 in 2017). The actuarial loss of \$46 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, 2017 valuation, and in the determination of the March 31, 2018 present value of the accrued severance benefit obligation were:

|                                |        |
|--------------------------------|--------|
| Annual rate of return          | 3.80 % |
| <hr/>                          |        |
| Assumed salary increase rate:  |        |
| Annual productivity increase   | 1.00 % |
| Annual general salary increase | 2.75 % |
|                                | <hr/>  |
|                                | 3.75 % |
|                                | <hr/>  |

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

|                                   | 2018               | 2017               |
|-----------------------------------|--------------------|--------------------|
|                                   | <hr/>              |                    |
| Accrued benefit liability         |                    |                    |
| Balance, beginning of year        | \$539              | \$497              |
| Actuarial loss                    | 12                 | -                  |
| Benefits accrued                  | 23                 | 26                 |
| Interest on accrued benefits      | 21                 | 30                 |
| Severance paid                    | (27)               | (14)               |
| Balance, end of year              | 568                | 539                |
| Less unamortized actuarial losses | (46)               | (39)               |
| Severance benefit liability       | <hr/> <b>\$522</b> | <hr/> <b>\$500</b> |

**Notes to Financial Statements (in thousands) for the year ended March 31, 2018**

**7. Employee Future Benefits (continued)**

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

|   | 2018        | 2017 |
|---|-------------|------|
| Interest on obligation                      | \$21        | \$30 |
| Current period benefit cost                 | 23          | 26   |
| Amortization of actuarial losses over EARSL | 4           | 4    |
| Total expense related to severance benefit  | <b>\$48</b> | \$60 |

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**

|                          | 2018               |               |             |                    |
|--------------------------|--------------------|---------------|-------------|--------------------|
|                          | Opening<br>Balance | Additions     | Disposals   | Closing<br>Balance |
| Cost                     |                    |               |             |                    |
| Office equipment         | \$61               | \$ -          | \$ -        | \$61               |
| Furniture and fixtures   | 221                | 8             | -           | 229                |
| Leasehold improvements   | 74                 | -             | -           | 74                 |
| Computer hardware        | 143                | -             | -           | 143                |
| Computer software        | 869                | -             | -           | 869                |
|                          | <b>1,368</b>       | <b>8</b>      | <b>-</b>    | <b>1,376</b>       |
| Accumulated Amortization |                    |               |             |                    |
| Office equipment         | 51                 | 4             | -           | 55                 |
| Furniture and fixtures   | 188                | 15            | -           | 203                |
| Leasehold improvements   | 47                 | 5             | -           | 52                 |
| Computer hardware        | 143                | -             | -           | 143                |
| Computer software        | 867                | 1             | -           | 868                |
|                          | <b>1,296</b>       | <b>25</b>     | <b>-</b>    | <b>1,321</b>       |
| Net book value           | <b>\$72</b>        | <b>\$(17)</b> | <b>\$ -</b> | <b>\$55</b>        |

Notes to Financial Statements (in thousands) for the year ended March 31, 2018

8. Tangible Capital Assets (continued)

|                          | 2017               |           |           |                    |
|--------------------------|--------------------|-----------|-----------|--------------------|
|                          | Opening<br>Balance | Additions | Disposals | Closing<br>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               |

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 2017) of its portfolio investments as designated assets for the following purposes:

The Agency maintains separate deposits of \$750 (\$750 in 2017) 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 2017) 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.

**Notes to Financial Statements (in thousands) for the year ended March 31, 2018**

**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 \$545 per year for each of the next four 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 \$17,000 (\$16,800 in 2017). The Treasury Board approved a payment target of \$12,000 for the year ended March 31, 2018, with a one time payment of \$5,000 in the first quarter.



# MANITOBA FINANCIAL SERVICES AGENCY

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

| For the year ended March 31             | 2018 Budget     | 2018 Actual     | 2017 Actual     |
|---|-----------------|-----------------|-----------------|
| <b>Revenue</b>                          |                 |                 |                 |
| Fees                                    | \$16,567        | \$19,971        | \$18,933        |
| Interest                                | 65              | 170             | 114             |
| Miscellaneous                           | 1               | 2               | 2               |
|   | 16,663          | 20,143          | 19,049          |
| <b>Expenses</b>                         |                 |                 |                 |
| Amortization - capital assets           | 24              | 25              | 27              |
| CSA initiatives*                        | 105             | 70              | 71              |
| Contract services                       | 353             | 221             | 243             |
| Education / Information initiatives     | 122             | 50              | 45              |
| Miscellaneous                           | 34              | 21              | 21              |
| Office materials and supplies           | 64              | 54              | 57              |
| Premises                                | 443             | 451             | 443             |
| Professional membership and dues        | 27              | 24              | 20              |
| Professional services                   | 90              | 71              | 152             |
| Research resources                      | 52              | 67              | 45              |
| Salaries and benefits                   | 3,424           | 3,017           | 3,080           |
| Staff development and professional dues | 22              | 13              | 8               |
| Telecommunications                      | 68              | 64              | 66              |
| Travel                                  | 81              | 43              | 75              |
|   | 4,909           | 4,191           | 4,353           |
| <b>Annual operating surplus</b>         | <b>\$11,724</b> | <b>\$15,952</b> | <b>\$14,696</b> |

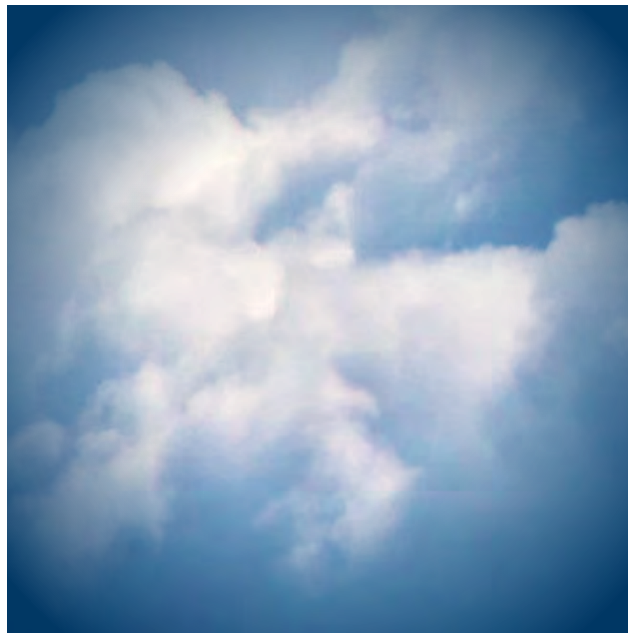
\*Canadian Securities Administrators

# MANITOBA FINANCIAL SERVICES AGENCY

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

| For the year ended March 31             | 2018 Budget  | 2018 Actual    | 2017 Actual  |
|---|--------------|----------------|--------------|
| <b>Revenue</b>                          |              |                |              |
| Fees                                    | \$1,926      | \$1,801        | \$1,827      |
| Miscellaneous                           | 14           | 96             | 26           |
|   | <b>1,940</b> | <b>1,897</b>   | <b>1,853</b> |
| <b>Expenses</b>                         |              |                |              |
| Contract services                       | 37           | 33             | 35           |
| Miscellaneous                           | 3            | 5              | 4            |
| Office materials and supplies           | 11           | 15             | 12           |
| Premises                                | 114          | 106            | 104          |
| Professional services                   | 32           | 38             | 151          |
| Research resources                      | 2            | 1              | 1            |
| Salaries and benefits                   | 772          | 642            | 726          |
| Staff development and professional dues | 9            | 2              | 2            |
| Telecommunications                      | 12           | 11             | 11           |
| Travel                                  | 10           | 8              | 9            |
|   | <b>1,002</b> | <b>861</b>     | <b>1,055</b> |
| <b>Annual operating surplus</b>         | <b>\$938</b> | <b>\$1,036</b> | <b>\$798</b> |





## AGENCY STATISTICS

for the year ended March 31, 2018



## SECURITIES STATISTICS

|  | 2017/18 | 2016/17 | 2015/16 |
|--|---------|---------|---------|
| <b>Registrations</b>                                 |         |         |         |
| Registrations Under <i>The Securities Act</i>        | 21,578  | 21,079  | 20,659  |
| Registrations Under <i>The Commodity Futures Act</i> | 376     | 368     | 449     |
| <b>Filings Processed</b>                             |         |         |         |
| Prospectuses Filed                                   | 602     | 658     | 593     |
| Issuers Included in Prospectuses                     | 4,232   | 4,155   | 4,027   |
| Amendments and Supplements                           | 3,133   | 2,358   | 1,927   |
| Rights Offerings                                     | 17      | 22      | 8       |
| <b>Private Placement and Exempt Offerings</b>        |         |         |         |
| 45-106F1 Capital Raising Forms*                      | 1,297   | 1,499   | 1,174   |
| Offering Memorandums                                 | 71      | 84      | 67      |
| Private Placements                                   | 0       | 0       | 0       |
| <b>Exemptions and Orders</b>                         |         |         |         |
| Exemption Orders                                     | 5       | 11      | 12      |
| Investigation Orders                                 | 3       | 2       | 4       |
| Take-Over Bid Orders                                 | -       | -       | 1       |
| Insider Reporting Orders                             | -       | -       | 0       |
| Financial Reporting Orders                           | 1       | 21      | 76      |
| Cease Trade Orders**                                 | 14      | 56      | 113     |
| Miscellaneous Orders                                 | 34      | 62      | 73      |
| <b>Hearing Orders</b>                                |         |         |         |
| Notices of Hearing Issued                            | 11      | 16      | 57      |
| Statements of Allegations Issued                     | 2       | 4       | 0       |
| Orders Filed   | 10      | 2       | 72      |
| Reciprocal Orders Filed***                           | 7       | 29      | 67      |
| Settlement Agreements Completed                      | 3       | 0       | 0       |
| Decision Documents Published                         | 3       | 2       | 4       |
| Completed Provincial Court Hearings                  | 1       | 0       | 1       |
| Pending Provincial Court Hearings                    | 1       | 1       | 1       |
| Completed Queen's Bench Hearings                     | 0       | 0       | 0       |
| Pending Queen's Bench Hearings                       | 0       | 0       | 0       |
| <b>Complaints and Inquiries</b>                      |         |         |         |
| General Investigation and Enforcement Inquiries      | 295     | 293     | 248     |
| Formal Investigation Files Opened                    | 19      | 24      | 29      |

\* 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.

\*\*\* Decrease in filings results from MSC Staff Notice 2017-34 - Automatic Reciprocity, via amendments to section 148.4 of the Securities Act, effective June 2, 2017.

## REAL ESTATE STATISTICS

|  | 2017/18 | 2016/17 | 2015/16 |
|--|---------|---------|---------|
| <b>Registrations</b>   |         |         |         |
| Registrations Under <i>The Real Estate Brokers Act</i>         | 2,394   | 2,433   | 2,341   |
| Registrations Under <i>The Mortgage Brokers Act</i>            | 423     | 381     | 398     |
| <b>Education</b>   |         |         |         |
| Old Phase Pre-Licensing Education Enrolments                   | 0       | 0       | 190     |
| Salesperson Pre-Licensing Education Enrolments*                | 352     | 325     | 777     |
| Broker Pre-Licensing Education Enrolments                      | 47      | 47      | 44      |
| Re-Licensing Education Completions                             | 2,165   | 2,288   | 2,250   |
| <b>Financial Filings and Compliance Audits</b>                 |         |         |         |
| Registered Broker Reports Reviewed                             | 415     | 415     | 414     |
| Final Close-Out Reports Reviewed                               | 26      | 19      | 19      |
| Brokers Suspended for Failure to File                          | 1       | 4       | 0       |
| <b>Investigations and Enforcement</b>                          |         |         |         |
| General Investigations and Inquiries**                         | 116     | 115     | -       |
| Formal Investigations**  | 8       | 11      | 13      |
| Complaints Resulting in a Warning or Reprimand                 | 3       | 6       | 7       |
| Complaints Resulting in Further Action by MSC                  | 3       | 3       | 2       |
| <b>Interest Earned on Broker Trust Accounts (In Thousands)</b> |         |         |         |
| Interest Earned  | 218     | 172     | 168     |
| Total Disbursements to MREA***                                 | 218     | 172     | 153     |
| Funds Held in Trust by MREA                                    | 254     | 0       | 56      |
| Disbursement to the Minister of Finance                        | 0       | 0       | (15)    |
| Balance Remaining After Disbursement to MREA                   | 0       | 0       | 0       |
| <b>Unclaimed Trust Account Funds (In Thousands)</b>            |         |         |         |
| Balance Forwarded at April 1, 2017                             | 25      | 25      | 25      |
| Received During the Fiscal Year                                | 11      | 7       | 18      |
| Sub-Total  | 36      | 32      | 43      |
| Disbursement to the Minister of Finance                        | 11      | 7       | (18)    |
| Residual Balance (Minimum Reserve)                             | 25      | 25      | 25      |

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

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

\*\*\*See page 31, *Real Estate*, for the list of individual disbursements to MREA.



|  | 2017/18 | 2016/17 | 2015/16 |
|--|---------|---------|---------|
| <b>Insurance Sector</b>  |         |         |         |
| Special Insurance Broker Licences                              | 9       | 8       | 9       |
| Number of Licensed Insurers - Federal                          | 175     | 180     | 183     |
| Number of Licensed Insurers - Provincial                       | 49      | 49      | 48      |
| Complaint Files Opened   | 58      | 40      | 40      |
| Complaint Files Closed   | 50      | 38      | 36      |
| Complaint Files in Progress                                    | 35      | 25      | 16      |
| <b>Insurance Council of Manitoba</b>                           |         |         |         |
| Examinations for Agents, Brokers, and Adjusters                | 2,215   | 1,553   | 1,012   |
| Pass Rate  | 78%     | 73%     | 63%     |
| Successful Applications  | 1,731   | 1,135   | 642     |
| Agent, Broker, and Adjuster Licences Issued                    | 16,189  | 16,533  | 15,675  |
| Complaint Files Against Agents, Brokers, Adjusters Opened      | 132     | 148     | 126     |
| Complaint Files Against Agents, Brokers, Adjusters Closed      | 171     | 109     | 117     |
| Presented to Council for Decision                              | 28      | 16      | 16      |
| Appealed Decisions   | 0       | 0       | 0       |
| Complaint Files Against Agents, Brokers, Adjusters in Progress | 26      | 65      | 26      |
| <b>Credit Union Sector</b>                                     |         |         |         |
| Credit Unions in Manitoba                                      | 31      | 34      | 34      |
| Caisses Populaires in Manitoba                                 | 1       | 1       | 1       |
| Combined Assets (Billions)                                     | \$30.1  | \$28.6  | \$27.3  |
| Member Deposits (Billions)                                     | \$27.4  | \$26.3  | \$25.2  |
| Member Equity (Billions)                                       | \$2.0   | \$1.8   | \$1.7   |
| <b>Co-operatives Sector</b>                                    |         |         |         |
| Co-operatives in Manitoba                                      | 338     | 341     | 348     |
| Housing Co-operatives  | 60      | 60      | 60      |
| Consumer Co-operatives   | 54      | 52      | 53      |
| Active Members(Thousands)                                      | 570+    | 570+    | 525+    |
| New Incorporated Co-operatives                                 | 5       | 6       | 11      |
| Dissolved Co-operatives  | 9       | 13      | 14      |
| Revived Co-operatives  | 1       | 0       | 3       |
| Securities Offering Documents Approved                         | 1       | 3       | 2       |

*NOTE: Effective June 1, 2015 the licensing of Accident and Baggage Agents, Hail Agents and Adjusters was transferred to the Insurance Council of Manitoba. As such, those statistics are no longer included in this list.*

### 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.**



## 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 2017/18. (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 Realty Ltd.*

Tom Fulton  
*RE/MAX Performance Realty*

Robert Giesbrecht  
*Canadian Condominium Institute,  
Manitoba Chapter*

Keith Schinkel  
*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*

Garret Wong  
*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.

Cliff King (Chair)  
*RE/MAX Executives Realty*

Rev. Bill Gillis  
*Public Member*

Shirley Przybyl  
*Century 21 Bachman & Associates*

Ute Vann  
*Royal LePage Dynamic Real Estate*

Miriam Munn  
*Royal LePage/Martin-Liberty Realty*

### 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

Robert Jones

Myron Pawlowsky

Mabel Wieler

Monica Girouard (Past-Member)

Brian Mayes (Past-Member)

## 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)  
Carol-Ann Borody-Siemens (Vice-chair)  
Gary R. McPherson  
Bonnie Siemens  
Robert Cole  
Andrew Anderson  
Patricia Horncastle  
Sonja Doran (Past-Member)

#### *General Insurance Council*

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

#### *Insurance Adjusters Council*

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





# 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. 140*

*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*







THE MANITOBA  
SECURITIES  
COMMISSION



FINANCIAL  
INSTITUTIONS  
REGULATION BRANCH

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

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