



Manitoba Financial Services Agency

2021 Annual Report





**MINISTER OF
FINANCE**

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

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

May it Please Your Honour:

I have the privilege of presenting for the information of Your Honour the
Annual Report of the Manitoba Financial Services Agency for the fiscal year
ended March 31, 2021

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, 2021.

Respectfully submitted,

Original Signed by David Cheop

David Cheop
Chief Administrative Officer
Manitoba Financial Services Agency





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

Mission, Vision, and Values

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

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

Purpose MFSA's purpose is to protect Manitoba consumers of financial products while facilitating fair and efficient markets in Manitoba's financial services sector.


Mission The Manitoba Financial Services Agency seeks to foster a better financial future for all Manitobans through responsive regulation that promotes fairness, honesty and openness within Manitoba's financial services and real estate sectors.

Vision Strong and fair financial services and real estate sectors, that benefit both the industry and the public, supported by the MFSA.

Values **Exchange - *We Welcome Ideas***
We encourage a culture of knowledge-sharing. We believe that sharing legacy and institutional knowledge between team members ensures we can work cohesively together and get better as a team.

Support - *We Like Questions*
We succeed by asking questions to better understand our mission and vision. The MFSA gets better and moves forward when everyone is prepared to challenge accepted norms.

Teamwork - *We Work Together*
Know that our team members are always there - to ask for help or to bounce ideas off of. When we all work together, we go farther than we do by ourselves.

 MFSA Numbers at a Glance

1 *Caisse Populaire*



22 Credit Unions



53 Trust and Loan Corporations



216 Insurance Companies

366 Registrations Under
The Commodity Futures Act

Individuals Registered Under
The Mortgage Brokers Act **407**

Individuals Registered
Under *The Real Estate
Brokers Act* **2,591**

Reporting Issuers Under
The Securities Act **6,035**

Insurance Agents,
Brokers, and Adjusters **23,006**

Registrations Under
The Securities Act **22,834**



CAO's Message

The past year will be known for the challenges presented by the COVID-19 pandemic. Its full force emerged mere weeks before the Manitoba Financial Services Agency began our 2020/21 fiscal year but its effects continued through the entire period. While our offices never fully closed— areas within the Agency had a skeleton staff in the office throughout on a rotating basis, all the while observing the mandated public health protocols—most activities were carried out remotely. Although there were some initial problems these were resolved quickly and our operations carried on virtually without interruption. The Agency's staff deserve credit for their positive and constructive response to this unprecedented public health emergency and their commitment to continuing to provide our services to the sectors we regulate and the Manitoba public at large.

One key issue that emerged early in the pandemic was the problems it created for industry in carrying out many ongoing activities. The Agency responded in a number of areas, in many cases working in conjunction with regulators in other provinces, including granting extensions to certain filing deadlines, providing relief from continuing education reporting requirements, facilitating remote working and permitting electronic agreements and digital signatures.

In addition to granting these specific exemptions, in the securities field we continued our policy work with our colleagues that comprise the Canadian Securities Administrators (CSA) without interruption, most notably in the following areas:



David Cheop

- the initiation of a project to review the client facing titles used by registered individuals, following up on some of the changes being implemented as part of the client focused reforms that come into force at the end of 2021;
- continued work on the SEDAR+ project, which will renew the national system for filings by market participants such as issuers, insiders, registrants, and investors and which will ultimately replace the National Cease Trade Order Database, the Disciplined List, the System for Electronic Document Analysis and Retrieval (SEDAR), the System for Electronic Disclosure by Insiders (SEDI) and the National Registration Database (NRD);
- the publication of a consultation paper seeking feedback on the current self-regulatory organization framework of the two current SROs, the Investment Industry Regulatory Organization of Canada and the Mutual Funds Dealers Association, and the possible consolidation of them and their two associated contingency funds;
- the publication of guidance on the operation of crypto asset trading platforms;

- the issuance of a consultation paper on activist short selling;
- a number of initiatives aimed at the elimination of undue regulatory burden and the streamlining of regulatory requirements without reducing investor protection.

During the year the Agency continued its important investor education initiatives through enhancements to its MoneySmart website as well as through events organized as part of Fraud Prevention Month, Financial Literacy Month, Seniors Month and World Elder Abuse Awareness Day. Although these events transitioned from an in-person to an online format this year due to the pandemic, they continued to provide valuable information to consumers to help them better achieve their financial goals and protect themselves from being victimized by fraud. In this regard, one of the side effects of the pandemic was the emergence of a large number of internet-based COVID-19 frauds. To combat this, the Agency's enforcement staff worked closely with our colleagues across the continent through the North American Securities Administrators Association to identify these schemes and to protect investors, particularly through education and increased awareness.

In the real estate sector we continued to work towards the implementation of the new regulatory regime that will be established with the proclamation of *The Real Estate Services Act* at the beginning of 2022. As part of this, a new supporting regulation has been developed and has been published for public comment. In addition, a committee comprised of representatives from the Agency, the real estate brokerage sector and the legal

profession is working on a major updating of the mandated forms of offers to purchase for single family residences and condominiums.

In October 2020 *The Credit Unions and Caisses Populaires Amendment Act*, was introduced into the Legislature and was passed in May 2021. This legislation, when proclaimed into force, will make significant changes to the oversight system for Manitoba's credit union and *caisse populaire* sector. Most notably, it will constitute the Deposit Guarantee Corporation of Manitoba (DGCM) as the prudential regulator of Credit Union Central of Manitoba, in addition to its current role as primary regulator of individual credit unions and the *caisse populaire*. Further, the new legislation will replace the current rules regarding capital, liquidity and other key requirements embodied in regulation with standards of sound business practice and prudential standards adopted by DGCM and approved by the Registrar under the Act. The Agency is working with DGCM on the development of these standards, which will come into force concurrent with the new legislation.

Despite the unique challenges of the past year, the Agency and its staff have continued to carry out our mandate recognizing the importance of the sectors we regulate to the financial well being of the residents of this province.

Original Signed by David Cheop

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

Commissioners

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

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

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

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

Members may serve up to ten years.



Mr. David Cheop, Q.C.
Chair



Ms. Deborah J. Metcalfe,
Vice-Chair



Mr. Charles Burns



Mr. David Huberdeau-Reid



Ms. Andrea Martens



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



Ms. Linda Vincent

Hearings and Commission Meetings

During the fiscal year 2020/21, the Manitoba Securities Commission held a total of 21 Commission meetings, 13 hearings, and 9 special meetings. Hearing attendance by individual Commissioners is determined on a case by case basis by the Chair, factoring in a variety of considerations.

	DJM	CDB	AEM	JTM	DHR	LAV
COMMISSION MEETINGS	18/21	15/21	13/21	18/21	19/21	21/21
HEARINGS	1	6	6	7	8	6
SPECIAL MEETINGS ¹	9	-	3	-	-	1

DJM - Deborah J. Metcalfe
 CDB - Charles Burns
 AEM - Andrea Martens

JTM - Jack McJannet
 DHR - David Huberdeau-Reid
 LAV - Linda Vincent

¹Special meetings are also determined on a case by case basis, and typically do not need to involve all Commissioners.

Management Team



David Cheop
CAO, MFSA
CEO & Chair, MSC



Chris Besko
Director
General Counsel



Scott Moore
Superintendent
FIRB



Keith Schinkel
Registrar
Real Estate Division



Wayne Bridgeman
Deputy Director
Corporate Finance



Ainsley Cunningham
Manager
Education & Communica-
tions



Djemal Halilagic
Deputy-Superintendent
FIRB



Sue Henderson
Deputy Director
Registrations



Marlene Nemes
Controller



Jason Roy
Senior Investigator
Investigations



Paula White
Deputy Director
Compliance

Gender Diversity in Management and FTE Staff Positions

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

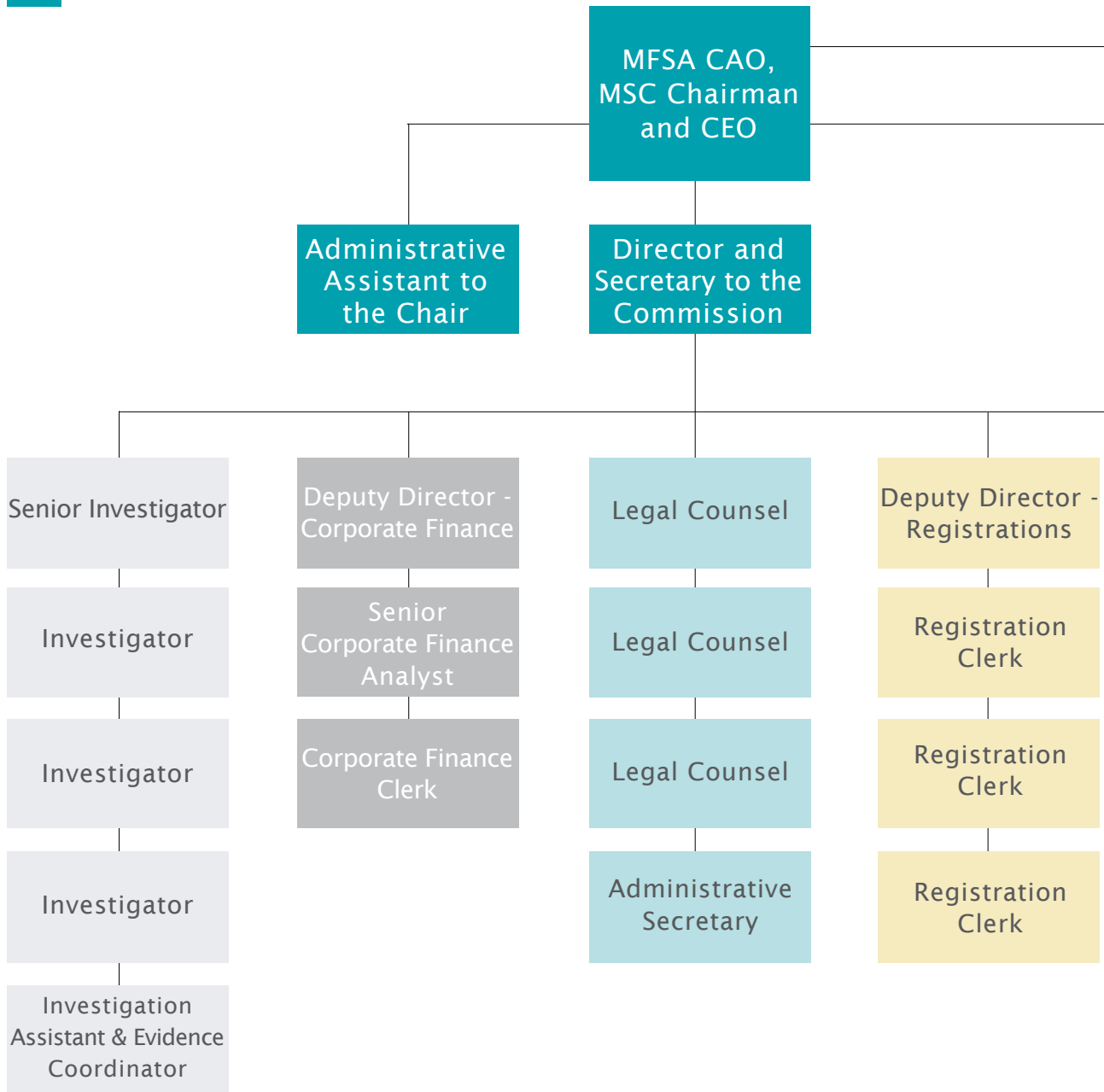
2020/21		F		M	
		Count	Percentage	Count	Percentage
	Commission Members	3	50%	3	50%
	Senior Management	0	0%	2	100%
	Management	4	45%	5	55%

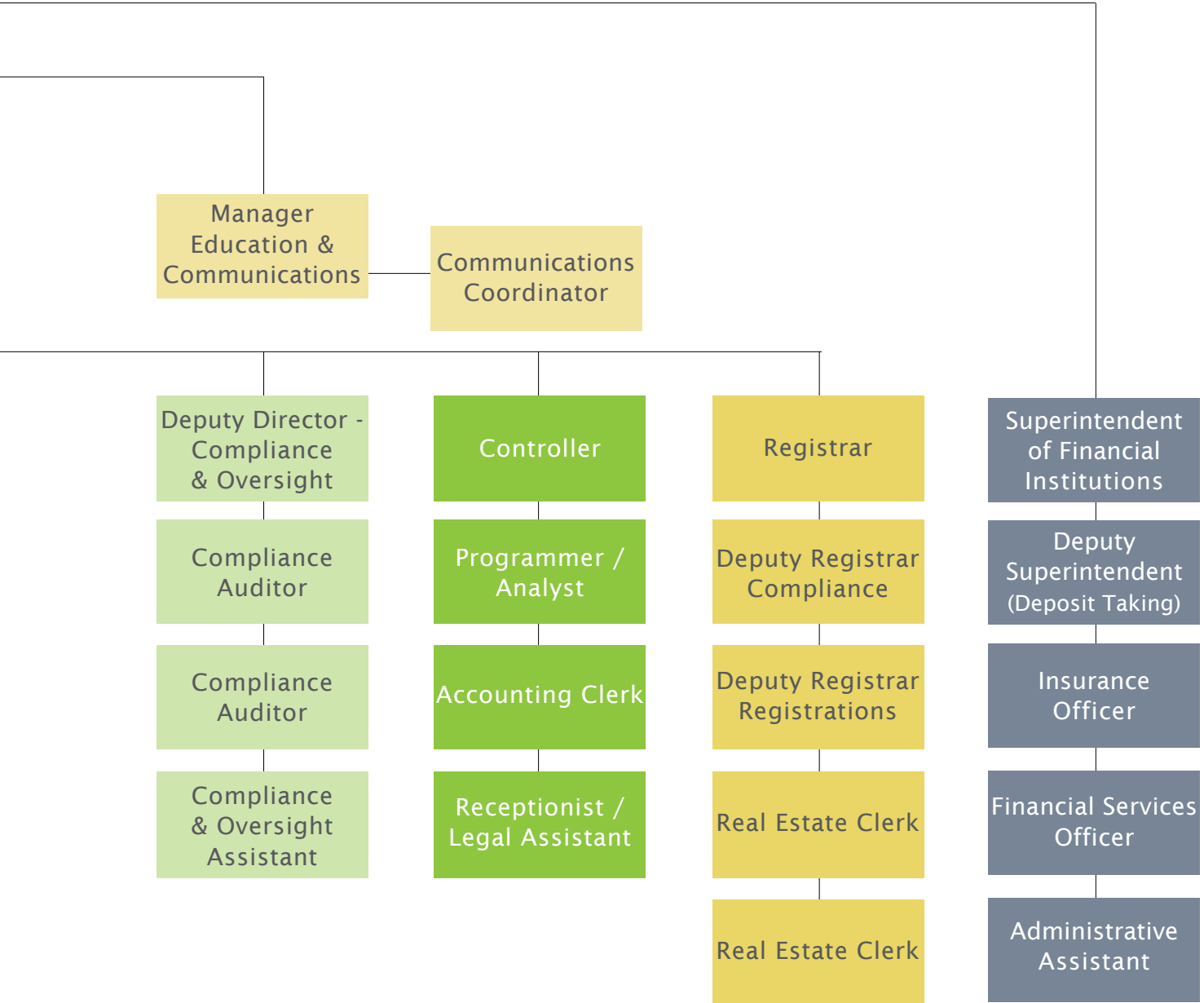
The MFSA employs a combined 48.6 Full-Time Equivalent (FTE) staff positions.

	FTE Staff Positions	Estimated Staff Expenditures (in thousands)	Actual Staff Expenditures (in thousands)	Variance* Over (Under) (in thousands)
2020/2021	48.6	\$4,290	\$3,753	(\$537)
2019/2020	48.6	\$4,334	\$3,783	(\$551)
2018/2019	48.6	\$4,241	\$3,446	(\$795)
2017/2018	48.6	\$4,196	\$3,659	(\$537)
2016/2017	48.6	\$4,355	\$3,806	(\$549)

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

Organizational Chart





Education & Communications

Fiscal year 2020/21 was an unusual year to say the least. Education and Communications transitioned to working from home in March and began to figure out how to navigate this new work environment. We are proud to say we were able to carry on with our programming while providing the consumer with new venues to engage with us.

For November Financial Literacy Month, the MFSA partnered with the Children's Hospital of Manitoba Residents for READ program (READ). READ focuses on families reading and talking about financial literacy matters with young children, including saving, goal setting, planning, etc. The MFSA donated sixty new children's books and 500 bookmarks to the READ program for distribution to families.

For March Fraud Prevention Month, the MFSA hosted its first ever Facebook Live event *Protect Your Family from Fraud*. The free event, hosted by the MFSA's MoneySmart Manitoba initiative in partnership with the Winnipeg Police Service, focused on

tips and strategies for fraud recognition and prevention, including the most prevalent forms of fraud targeting Manitobans.

The area also undertook demographic research into the financial knowhow of Millennials. Findings from the report, *How social, economic and technological changes have altered the ways and means of financial planning of 25 to 35-year-olds*, will be shared throughout fiscal year 2021-2022.

With the use of new tools and virtual meetings the area has continued to:

- produce high quality content for moneysmartmanitoba.ca
- offer our free *Talking About Money* calendar to non-profit organizations
- work on the Agency rebranding project
- collaborate with our CSA colleagues on a variety of national marketing communications initiatives

DEFINING E&C

Education & Communications lead the MFSA's public engagement objectives, designing and implementing programs and materials to support financial education and fraud awareness across a wide range of media.

Education & Communications Numbers at a Glance



9 Investor Cautions and Alerts



800+ Subscribers to the MoneySmart Newsletter



270+ Facebook Posts



1,650+ Twitter Posts between @MoneySmartMB and @MSCommission

Legal

Through 2020/21, the Legal area has remained an integral part of the MFSA response to continue its regulatory functions in a safe and responsible way while COVID has impacted everyday lives. Legal has helped the MFSA in developing policies on the use of videoconferencing to allow for hearings to continue our enforcement activities and for the meetings of the Commission to deal with exemptive relief applications as well as its rule making activities in regulating the financial and real estate markets in Manitoba.

We continued to coordinate with other CSA regulators in granting exemptive relief to provide Manitoba's capital markets and registrant community with operations assistance during these difficult times. This coordinated effort temporarily eased regulatory burdens without impacting investor protections, and allowed our stakeholders to continue operating in local and Canada-wide markets.

On the Securities side, we have been involved with CSA members in the review of capital-raising exemptions, introducing new exemptions, and ongoing implementation of Client Focused Reform (CFR) initiatives to enhance the client relationship for investors and enhance investor protections.

In the areas of capital formation and technology driven changes to financial markets, the Legal department is 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. We have been actively looking at cryptoassets, publishing guidance on how and when we regulate trading activities for these assets, and working with local participants who are involved in that area.

LEGAL STATISTICS 2021

17	Exemptions Orders	2	Miscellaneous Orders
4	Investigation Orders	3	Notices of Hearing Issued
7	Financial Reporting Orders	3	Statements of Allegations Issued
3	Cease Trade Orders**	6	Enforcement Orders Filed

On the Real Estate and Mortgage Brokerage side, Legal assisted the Registrar with ongoing consultations on regulations ahead of the coming in force of The Real Estate Services Act (RESA) in January 2022.

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

- 6 Settlement Agreements Completed
- 5 Decision Documents Published
- 0 Completed Provincial Court Hearings
- 1 Pending Provincial Court Hearings

Compliance & Oversight

In fiscal 2020/21, Compliance once again participated in the work of the Client Focused Reforms (CFRs) Implementation Committee. The committee includes staff from the CSA and Self Regulatory Organizations (SROs), and was established to provide guidance on operational issues and questions from industry stakeholders relating to the implementation of the CFRs. The committee also focuses on ensuring consistent and uniform enforcement of the requirements, and harmonized interpretations of how the CFRs will apply in practice. The CFR requirements will be fully in force by the end of 2021.

Compliance continued to participate in the work related to the Self Regulatory Organization Framework Review project. On June 25, 2020, the CSA working group published CSA Consultation Paper 25-402 *Consultation on the Self-Regulatory Organization Framework*. The consultation paper sought public input on seven key issues identified through informal consultations conducted in late 2019 and early 2020. Working group members considered the comments, other related data and analysis (including dozens of academic publications pertaining to SRO design operation and best practices) and

their applicability to the Canadian capital markets. As a result of the analysis, an overall recommendation for a new single enhanced SRO and an independent, consolidated protection fund was communicated in CSA Position Paper 25-404 *New Self-Regulatory Organization Framework* published on August 3, 2021.

Looking ahead, Compliance Staff will be members of the Integrated Working Committee (IWC) established to determine the appropriate corporate structure for the New SRO. The IWC will also define and oversee the execution of the implementation strategy to integrate IIROC and the MFDA into the new SRO, and consolidate the two IPFs into a new IPF.

Compliance Staff also took part in a phased project intended to lead to improved harmonization and better CSA Oversight of the SROs and IPFs. The work included updating reporting requirements for the SROs, eliminating regulatory gaps in the approvals and oversight of IPFs and harmonizing, streamlining and modernizing IIROC and MFDA Recognition Orders to better reflect current CSA expectations and oversight practices.

Corporate Finance focused on four key areas during the fiscal year 2020/21: reduction of regulatory burden, efficiency of capital markets, the System for Electronic Data Analysis and Retrieval + (SEDAR+), and a number of other important topics.

For the reduction of regulatory burden, Corporate Finance focussed on the streamlining of regulation by undertaking a wide range of initiatives that aim at reducing regulatory burden without compromising investor protection or the efficiency of the capital markets, such as: Simplifying At-The-Market Securities Offerings and Business Acquisition Report Disclosure, Rationalization of Investment Fund Disclosure, and Consideration of a New Delivery Model for Non-Investment Fund Issuers.

For efficiency of capital markets, Corporate Finance focussed on amendments to address syndicated mortgages, proposed amendments to address real estate activities and collective investment vehicles in an Offering Memorandum, updating of start-up crowdfunding guides, and guidance:

- for investment fund managers to develop and maintain a liquidity risk management framework;
- for COVID-19 disclosure improvements;
- on establishment, administration and disclosure of Automatic Securities Disposition Plans;
- on disclosure for crypto assets reporting issuers;
- on an issuer's financial condition and sufficiency of proceeds from a prospectus offering.

For SEDAR+, Corporate Finance worked on modernizing the CSA National systems including SEDAR, SEDI, NRD, CTO, and NRS to provide a secure, web-based filing and disclosure system for the marketplace and investors supporting data-centric regulation.

Several new issues and challenges presented by evolving capital market conditions this year included: disclosure of Women on Boards and in Executive Officer Positions and development of securities rules for Non-GAAP and Other Financial Measures. In particular, we provided assistance to all issuers during the COVID 19 pandemic with temporary exemptive relief to extend filing due dates for 45 days, including due dates for simplified and base shelf prospectus lapse dates and interim and annual filings of financial statements, management's discussion & analysis, and annual information forms.

Investigations & Enforcement

During the fiscal year 2020/21, the MFSA Chaired the CSA Investment Fraud Task Force (IFTF), which identifies and addresses a wide range of emerging threats. Current fraud trends are largely related to cryptocurrency, Initial Coin Offerings and Forex fraud. The IFTF strategies for disrupting, deterring and preventing investment fraud and addressing other emerging threats include developing tools and best practices to investigate the ecosystem; educating advertisers; engaging financial facilitators, law enforcement and other agencies; and fostering and supporting effective investor education. The IFTF continues monitoring the market activity related to digital asset marketplaces and products to identify new frauds and scams.

The MFSA issued nine Investor Alerts warning the public about investment-related scams. Tying back to the IFTF's research, most of the alerts were related to offshore

Forex and cryptocurrency trading scams that continue to target Manitobans. Investor Alerts are an important tool for the public to review when researching investment offers, along with checking a firm's registration.

Real Estate-related complaints have increased, with a noted jump starting in December 2020 and carrying through March 31, 2021—reflecting an increase in market activity / transactions due in-part to low interest rates. Complaints generally cover multiple offer situations and the handling of the offers.

The MFSA opened a total of 418 complaint files in 2020/21, 219 were Securities files and 199 were Real Estate files (Real Estate, Property Managers and Mortgage Brokers), 64 of which became formal investigations (38 real estate, 26 securities). The record number of real estate sales in the province corresponded directly with the record number of complaints.

DEFINING INVESTIGATIONS

Investigations are conducted based on surveillance or inquiries and complaints from the public, industry, and other regulators. The team works closely with Legal in preparing for hearings and court prosecutions, and issues public alerts on financial fraud targeting Manitobans.

Registrations

This fiscal year 2020/21, the MFSA chaired the CSA Registrant Regulation Committee (RRC), and implemented the following noteworthy activities in conjunction with the MFDA and IIROC.

RRC helped coordinate the CSA response to issues arising from the COVID-19 pandemic. The RRC used its meetings to discuss issues related to the pandemic arising for registrants to coordinate our respective responses to stakeholders. The RRC was also involved in coordinating the issuance of blanket rulings to provide temporary relief to registrants from certain requirements on a temporary basis. This included:

- On May 28, 2020 the issuance of *Blanket Order 31-521* for further temporary blanket relief for registrants and unregistered capital markets participants from certain financial statement and information delivery requirements as a result of COVID-19.
- The issuance of *Blanket Order 31-519* which extended the transition period for registrants to implement the enhanced conflicts of interest requirement of the Client Focused Reforms from December 31, 2020 to June 30, 2021.
- The issuance of *Blanket Order 31-520* which extended the transition period for registrants to implement the enhanced relationship disclosure requirements of the Client Focused Reforms from December 31, 2020 to December 31, 2021.

- The issuance of *Blanket Order 31-518* giving registrants a temporary extension of time to make certain periodic filings as detailed in that order.
- The publication of *CSA Staff Notice 31-358*, providing guidance for specific CCO models in particular the shared CCO model, the multiple CCO model and the specialized CCO model.

Operational issues discussed included:

- system changes to NRD;
- novel applications for exemptive relief;
- expectations on registered firms that propose trading or advising activities that can involve investment funds holding cryptoassets;
- terms and conditions for portfolio managers to accommodate specialist “client relationship managers” who would engage in registerable advising activity, but not undertake the securities research and selection activities that also form part of the typical advising representative’s responsibilities,
- presentation from IIROC concerning core competencies for registrants on the IIROC platform,
- templates for 11.9/11.10 procedures.

Financial Institutions Regulation Branch

As a result of the federal Office of the Superintendent of Financial Institutions (OSFI), withdrawing their oversight services of provincial credit union centrals, Bill 22, *The Credit Unions and Caisses Populaires Amendment Act*, was introduced in October 2020. Bill 22 strengthens the regulatory framework of Credit Union Central of Manitoba (CUCM), as well as changing the oversight and governance framework for Manitoba's credit union system. This specifically includes the Deposit Guarantee Corporation of Manitoba (DGCM) becoming the primary regulator of CUCM, in addition to their current role as primary regulator of Manitoba's credit unions and *caisse populaire*. The Registrar of Credit Unions (FIRB) is given significantly expanded oversight powers over DGCM in order to ensure they fulfil their regulatory role.

Subject to the Registrar's approval, DGCM may make binding standards of sound business practice and prudential standards. Standards may address financial matters, such as capital and liquidity, as well as governance. DGCM may also issue directives and compliance orders to a credit union, the *caisse populaire* or CUCM. In addition, the Registrar may issue compliance orders to DGCM, and temporarily act in its place if necessary. Other significant amendments include the authority to enact regulations to enhance consumer protection, and the management of consumer complaints.

Transition of the prudential oversight of CUCM to DGCM will occur in 2022 when the Act is expected to come into force on proclamation.

DEFINING FIRB

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

This year, the new *Real Estate Services Act* (RESA) was proclaimed into force. RESA will replace the existing *Real Estate Brokers Act* and will greatly modernize the regulatory structure that governs the real estate industry in Manitoba. RESA will come into force effective January 1, 2022.

MFSA staff completed drafting of the regulations to accompany RESA late last year and recently released the regulations for public consultation. The public consultation period will run for 45 days and is intended to allow both registrants and members of the public the opportunity to review and comment on the proposed regulations.

The proposed regulations include a number of changes to the existing regulatory regime, in that they:

- allow for the use of electronic agreements, including offers to purchase and listing contracts, and digital signatures (this will make permanent the interim relief granted by the Commission at the outset of the COVID pandemic);
- permit registrants to maintain electronic (as opposed to paper) books and records;
- permit electronic transactions from brokerage trust accounts;
- allow individual registrants to carry on business through personal, family owned corporations;
- require registrants to enter into service contracts before providing real estate services to a person.

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 MSC.

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 \$211,000.

Under *The Real Estate Brokers Act* the Commission may hold a portion of the interest earned on broker trust accounts for the future costs of existing programs. This year MSC held back \$80,000.

Funds were distributed to the following in 2021 (in thousands):

	MREA – Education Funds	\$20
	Housing Opportunity Partnership	\$50
	Habitat for Humanity	\$61
	<hr/>	
	Total	\$131

Management's Discussion & Analysis

for the year ended March 31, 2021

Management's Discussion and Analysis

The following is a discussion and analysis for the operating results of the Manitoba Financial Services Agency (MFSA) for the year ended March 31, 2021. It should be read in conjunction with the Agency's audited financial statements beginning on page 33.

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

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

Results of Operations

Annual Surplus

Annual surplus for the year ended March 31, 2021 was \$17.8 million, an increase over the prior year by \$61,000. Revenues of \$23.1 million exceeded budgeted revenue by \$1.7 million. Expenses of \$5.3 million came in under budget by \$824,000. The net result was annual surplus exceeded budgeted annual surplus by \$2.5 million.

Revenue

The Agency exceeded its revenue targets by \$1.7 million or 7.9% because of increased market activity. See table below for fiscal year end 2019/20 – 2020/21 revenue details.

Revenue (000's)	2021	% of Total	2020	% of Total	2021 % Increase/ (Decrease) from 2020
Corporate Finance Fees	\$ 12,812	56%	\$ 12,247	53%	4.4%
Registration Fees	6,496	28%	6,491	28%	.10%
FIRB Fees	2,072	9%	2,042	9%	1.4%
Real Estate Fees	1,420	6%	1,524	7%	(6.8)%
Investment Income	129	1%	585	3%	(77.9)%
Legal Fees	98	-%	139	-%	(29.5)%
Miscellaneous Income	70	-%	83	-%	(15.7)%
	\$ 23,097	100%	\$ 23,111	100%	(.1)%

Corporate finance fees and registration fees accounted for 84% of the Agency's 2021 revenues. Corporate finance fees consist of prospectus fees and fees related to filings such as financial statements, annual information forms and rights offerings. Registration Fees are comprised of fees for registration of advisors, dealers and representatives. FIRB fees consist of Insurance fees, Credit Union Fees and Trust and Loan Fees.

Expenses

Overall, total expenses for fiscal year 2021 were \$5.3 million, a decrease of \$75,000 over fiscal year 2020. See table below for details.

Expenses (000's)*		2021	% of Total		2020	% of Total	2021 % Increase/ (Decrease) from 2020
Salaries and Benefits	\$	3,753	71%	\$	3,783	71%	(.8)%
Operating Expenses		1,530	29%		1,567	29%	(2.4)%
Amortization		8	-%		16	-%	(50)%
	\$	5,291	100%	\$	5,366	100%	(1.4)%

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

Total expenses were \$824,000 or 13.5% below budget. Explained variances in salaries and benefits and operating expenses are below.

Salaries and Benefits

Overall, salaries and benefits decreased by .8% or \$30,000 over the previous year. For the fiscal year ending March 31, 2021, salaries and benefits were 12.5% below budget due to vacancies and the impact of the Voluntary Reduced Workweek program.

Operating Expenses

Operating expenses for the fiscal year were 2.4% lower than last year and were under budget by \$285,000 or 15.7% primarily due to:

- CSA Initiatives - under budget by \$24,000 due to lower than expected expenditures for national initiatives.
- Contract Services – under budget by \$122,000 due to lower than expected internet development costs and National Systems Renewal Project costs.
- Education/Information Initiatives – under budget by \$48,000 due to the timing of initiatives.
- Office Materials and Supplies – under budget by \$19,000 due to lower than expected printing and office supplies costs.
- Staff Development and Professional Dues – under budget by \$27,000 due to cancellation of conferences and training.
- Telecommunications – under budget by \$10,000 due to lower than expected Mobility costs.
- Travel – under budget by \$99,000 due to cancellations of committee meetings because of COVID-19.

Management's Discussion and Analysis

Operating Expenses (continued)

Operating expenses that came in over budget are as follows:

- Professional Services – over budget by \$66,000 due to higher than expected hearing/investigation costs.

Capital Expenditures

Capital expenditures for the 2020-2021 fiscal year were \$1,000. Capital expenditures are financed through operations.

Liabilities

Accrued liabilities were \$115,000 for the year ending March 31, 2021. This balance represents accrued vendor obligations. Accrued vacation and severance liabilities were \$411,000 and \$602,000 respectively as at March 31, 2021 (March 31, 2020 - \$324,000 and \$552,000). Accrued salaries and benefits were \$43,000 for the year ending March 31, 2021 (March 31, 2020 – \$29,000). Public Sector Accounting Standards require the recognition of a liability for sick pay benefit obligations that accumulate but do not vest. The Agency has not recorded an accrued sick pay benefit obligation as it has been determined to be immaterial.

Liquidity

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

The Agency had cash and cash equivalents of \$61.5 million as of March 31, 2021.

The 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 utilization of the investment is to repay employee vacation and severance balances which existed at the time the Commission became a Special Operating Agency.

As at March 31, 2021, 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. Invested with the Province of Manitoba Treasury Division allows the Agency the flexibility to access these funds when needed.

2021/2022 Overview

For the fiscal year ending March 31, 2022, the Agency has budgeted revenue of \$21.4 million and budgeted expenses of \$6.1 million.

With the uncertainty of COVID-19 and the effects of it, the Agency will continue to monitor market activity closely. This may impact the financial condition of the Agency and budgeted revenues will be subject to variability.

Information Technology

As of March 31, 2021, the Agency had the following internal systems in place:

- Manitoba Securities Commission Information System 2.0 (MSCIS 2.0)
- Real Estate On-line Registration System (ROLS) - An 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 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.

System for Electronic Data Analysis and Retrieval – SEDAR+ – is an initiative of the Canadian Securities Administrators (CSA), which is comprised of the 13 securities regulators across Canada including The Manitoba Securities Commission (MSC). A multi-year project to update the core systems that individuals and companies use to file material with CSA jurisdictions. These include:

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

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



MFSA Financial Statements

for the year ended March 31, 2021

- 30. Management's Responsibility for Financial Reporting
- 31. Independent Auditor's Report
- 33. Financial Statements
- 37. Notes to Financial Statements
- 45. Schedule of Operating Income, MSC & FIRB

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 David Cheop

David Cheop
CAO, MFSA
Chair and CEO, MSC

May 19, 2021

Original Signed by Marlene Nemes

Marlene Nemes, CPA, CMA
Controller



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

Independent Auditor's Report

To The Special Operating Agencies Financing Authority

Opinion

We have audited the financial statements of **MANITOBA FINANCIAL SERVICES AGENCY** (the "Agency"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material

Independent Auditor's Report (continued)

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

BDO Canada LLP

Chartered Professional Accountants
Winnipeg, Manitoba
May 18, 2021

MANITOBA FINANCIAL SERVICES AGENCY

Statement of Financial Position (in thousands)

March 31	2021	2020
Financial Assets		
Cash and cash equivalents (Note 5)	\$ 61,466	\$ 43,427
Accounts receivable (Note 6)	24	115
Temporary investments	1,019	1,019
	<u>62,509</u>	<u>44,561</u>
Liabilities		
Accounts payable and accrued liabilities	115	133
Accrued vacation entitlements	411	324
Accrued salaries and benefits	43	29
Employee future benefits (Note 7)	602	552
	<u>1,171</u>	<u>1,038</u>
Net financial assets	<u>61,338</u>	<u>43,523</u>
Non-financial Assets		
Tangible capital assets (Note 8)	31	38
Prepaid expenses	73	75
	<u>104</u>	<u>113</u>
Accumulated surplus	<u>\$ 61,442</u>	<u>\$ 43,636</u>

Designated assets (Note 9)
Commitments (Note 10)

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

MANITOBA FINANCIAL SERVICES AGENCY

Statement of Operations and Accumulated Surplus (in thousands)

For the year ended March 31	2021	2021	2020
	Budget	Actual	Actual
Revenue			
Fees	\$ 21,189	\$ 22,898	\$ 22,443
Interest	201	129	585
Miscellaneous	16	70	83
	21,406	23,097	23,111
Expenses			
Amortization - capital assets	10	8	16
CSA initiatives*	117	93	86
Contract services	432	310	267
Education/Information initiatives	109	61	40
Miscellaneous	34	26	29
Office materials and supplies	71	52	115
Premises	582	581	550
Professional services	155	221	239
Research resources	78	85	72
Salaries and benefits	4,290	3,753	3,783
Staff development and professional dues	56	29	37
Telecommunications	80	70	69
Travel	101	2	63
	6,115	5,291	5,366
Annual surplus	15,291	17,806	17,745
Accumulated surplus, beginning of year	40,783	43,636	25,891
Accumulated surplus, end of year	\$ 56,074	\$ 61,442	\$ 43,636

* 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	2021		2021		2020
	Budget		Actual		Actual
Annual surplus	\$	15,291	\$	17,806	\$ 17,745
Tangible Capital Assets					
Acquisition of tangible capital assets		(10)		(1)	(12)
Amortization of tangible capital assets		10		8	16
Net change in tangible capital assets		-		7	4
Other Non-financial Assets					
Decrease (increase) in prepaid expense		(3)		2	(9)
Net acquisition of other non-financial assets		(3)		2	(9)
Increase in net financial assets		15,288		17,815	17,740
Net financial assets, beginning of year		40,725		43,523	25,783
Net financial assets, end of year	\$	56,013	\$	61,338	\$ 43,523

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	2021	2020
Cash provided by (applied to):		
Cash Flows from Operating Activities		
Annual surplus	\$ 17,806	\$ 17,745
Amortization of tangible capital assets	8	16
	17,814	17,761
Changes in non-cash working capital balances		
Accounts receivable	91	27
Prepaid expenses	2	(9)
Accounts payable and accrued liabilities	(18)	21
Accrued vacation entitlements	87	70
Accrued salaries and benefits	14	29
Employee future benefits	50	50
	18,040	17,949
Cash Flows from Capital Activities		
Acquisition of capital assets	(1)	(12)
Increase in cash and cash equivalents	18,039	17,937
Cash and cash equivalents, beginning of year	43,427	25,490
Cash and cash equivalents, end of year	\$ 61,466	\$ 43,427
Supplementary Information		
Interest received	\$ 230	\$ 539

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

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2021

1. Nature of Organization

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

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

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

2. Basis of Accounting

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

3. Significant Accounting Policies

Revenue

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

Expenses

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

Notes to Financial Statements (in thousands)

For the year ended March 31, 2021

3. Significant Accounting Policies (continued)

Financial Assets

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

Liabilities

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

Non-financial Assets

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

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

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

Measurement Uncertainty

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

Notes to Financial Statements (in thousands)

For the year ended March 31, 2021

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

Financial Risk Management Overview

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

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

	2021		2020
Cash and cash equivalents	\$ 61,466	\$	43,427
Accounts receivable	24		115
Temporary investments	1,019		1,019
	<u>\$ 62,509</u>	\$	<u>44,561</u>

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

For the year ended March 31, 2021

4. Financial Instruments and Financial Risk Management (continued)

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, 2021 (Nil in 2020).

Liquidity Risk

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

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

Interest Rate Risk

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

5. Cash and Cash Equivalents

The Agency invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of ninety day callable term deposits bearing interest between 0.02% and 0.20%.

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2021

6. Accounts Receivable

	2021		2020
Accrued interest	\$ 4	\$	105
Trade	20		10
	\$ 24	\$	115

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 2021 was \$220 (\$217 in 2020). Under this Agreement, the Agency has no further pension liability.

Severance Benefits

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

An actuarial report was completed for the severance pay liability as of March 31, 2020. The report provides a formula to update the liability on an annual basis. The special operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2021 is \$602 (\$552 in 2020). The actuarial loss of \$84 based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

Notes to Financial Statements (in thousands)

For the year ended March 31, 2021

7. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2020 valuation, and in the determination of the March 31, 2021 present value of the accrued severance benefit obligation were:

Annual rate of return	<u>3.20%</u>
Assumed salary increase rate:	
Annual productivity increase	1.00%
Annual general salary increase	<u>2.50%</u>
	<u>3.50%</u>

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

	2021		2020
Accrued benefit liability			
Balance, beginning of year	\$ 588	\$	544
Adjustment due to actuarial valuation	52		-
Benefits accrued	21		21
Interest on accrued benefits	25		23
	<u>686</u>		588
Less unamortized actuarial losses	<u>(84)</u>		(36)
Severance benefit liability	<u>\$ 602</u>	\$	<u>552</u>

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

	2021		2020
Interest on obligation	\$ 21	\$	21
Current period benefit cost	25		23
Amortization of actuarial losses over EARSL	4		5
Total expense related to severance benefit	<u>\$ 50</u>	\$	<u>49</u>

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

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2021

8. Tangible Capital Assets	2021			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	\$ 68	\$ 1	\$ -	\$ 69
Furniture and fixtures	229	-	-	229
Leasehold improvements	86	-	-	86
Computer hardware	147	-	-	147
Computer software	869	-	-	869
	1,399	1	-	1,400
Accumulated Amortization				
Office equipment	63	2	-	65
Furniture and fixtures	225	1	-	226
Leasehold improvements	60	4	-	64
Computer hardware	144	1	-	145
Computer software	869	-	-	869
	1,361	8	-	1,369
Net book value	\$ 38	\$ (7)	\$ -	\$ 31
				2020
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	\$ 68	\$ -	\$ -	\$ 68
Furniture and fixtures	229	-	-	229
Leasehold improvements	74	12	-	86
Computer hardware	147	-	-	147
Computer software	869	-	-	869
	1,387	12	-	1,399
Accumulated Amortization				
Office equipment	60	3	-	63
Furniture and fixtures	217	8	-	225
Leasehold improvements	56	4	-	60
Computer hardware	143	1	-	144
Computer software	869	-	-	869
	1,345	16	-	1,361
Net book value	\$ 42	\$ (4)	\$ -	\$ 38

Notes to Financial Statements (in thousands) 

For the year ended March 31, 2021

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 2020) of its temporary investments as designated assets for the following purposes:

The Agency maintains separate deposits of \$750 (\$750 in 2020) to fund expenses which may arise with respect to its reserve fund. The Reserve Fund was established to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature and for changes in market activity that have a negative effect on revenues. The investment bears interest at 0.02% with a maturity date of April 7, 2021.

The Agency has received \$269 (\$269 in 2020) of cash from the Province of Manitoba for the purpose of settling certain of its vacation and severance liabilities in the future. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. The principal of this note is re-invested annually and the interest is re-invested into a separate short term deposit. The investment bears interest at 0.20% with a maturity date of March 30, 2022.

10. Commitments

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

Minimum annual lease payments for this agreement totals \$613 per year for each of the next five years.

MANITOBA FINANCIAL SERVICES AGENCY

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

For the year ended March 31	2021	2021	2020
	Budget	Actual	Actual
Revenue			
Fees	\$ 19,379	\$ 20,826	\$ 20,401
Interest	201	129	585
Miscellaneous	1	3	2
	<u>19,581</u>	<u>20,958</u>	<u>20,988</u>
Expenses			
Amortization - capital assets	10	8	16
CSA initiatives*	117	93	86
Contract services	400	282	236
Education/Information initiatives	109	61	40
Miscellaneous	30	26	28
Office materials and supplies	62	46	107
Premises	502	501	474
Professional membership and dues	31	27	25
Professional services	122	194	211
Research resources	78	85	72
Salaries and benefits	3,680	3,326	3,314
Staff development and professional dues	20	1	11
Telecommunications	68	61	60
Travel	89	1	59
	<u>5,318</u>	<u>4,712</u>	<u>4,739</u>
Annual operating surplus	<u>\$ 14,263</u>	<u>\$ 16,246</u>	<u>\$ 16,249</u>

* Canadian Securities Administrators

MANITOBA FINANCIAL SERVICES AGENCY

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

For the year ended March 31	2021		2021		2020
	Budget		Actual		Actual
Revenue					
Fees	\$	1,810	\$	2,072	\$ 2,042
Miscellaneous		15		67	81
		<u>1,825</u>		<u>2,139</u>	<u>2,123</u>
Expenses					
Contract services		32		28	31
Miscellaneous		4		-	1
Office materials and supplies		9		6	8
Premises		80		80	76
Professional services		33		27	28
Research resources		1		-	-
Salaries and benefits		610		427	469
Staff development and professional dues		5		1	1
Telecommunications		12		9	9
Travel		12		1	4
		<u>798</u>		<u>579</u>	<u>627</u>
Annual operating surplus	\$	<u>1,027</u>	\$	<u>1,560</u>	\$ 1,496

Agency Statistics

for the year ended March 31, 2021

Securities Statistics

	2020/2021	2019/2020	2018/2019
Registrations Under <i>The Securities Act</i>	22,834	22,492	22,279
Registrations Under <i>The Commodity Futures Act</i>	366	364	361
Prospectuses Filed	864	597	611
Issuers Included in Prospectuses	4,712	4,333	4,275
Classes of Securities Included	23,045	21,728	23,874
Amendments and Supplements	5,050	4,270	3,082
Issuers Included	5,888	5,837	4,227
Classes of Securities Included	6,213	6,091	4,855
Rights Offerings	9	9	12
45-106F1 Capital Raising Forms* Offering Memorandums	1,843 60	1,598 67	1,373 49
Annual Financial Statements	5,490	5,308	5,176
Annual Information Forms	1,208	1,073	1,067
Issuers Made Active (opened)	487	343	445
Issuers Made Inactive (closed)	325	269	312
Reporting Issuers Under <i>The Securities Act</i>	6,035	5,888	5,814
Takeover Bids and Issuer Bids	19	23	21
Exemptions Orders	17	14	16
Investigation Orders	4	3	5
Financial Reporting Orders	7	4	3
Cease Trade Orders**	3	1	1
Miscellaneous Orders	2	6	3
Notices of Hearing Issued	3	2	6
Statements of Allegations Issued	3	2	5
Enforcement Orders Filed	6	7	5
Reciprocal Orders Filed***	0	0	0
Settlement Agreements Completed	6	4	1
Decision Documents Published	5	5	2
Completed Provincial Court Hearings	0	0	0
Pending Provincial Court Hearings	1	1	0
Completed Queen's Bench Hearings	0	0	0
Pending Queen's Bench Hearings	0	0	0
Complaints and Inquiries			
General Investigation and Enforcement	219	177	144
Formal Investigation Files Opened	26	9	15

* 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 Reciprocation, via amendments to section 148.4 of the Securities Act, effective June 2, 2017.

Real Estate Statistics

	2020/2021	2019/2020	2018/2019
Registrations			
Registrations Under <i>The Real Estate Brokers Act</i>	2,591	2,466	2,390
Registrations Under <i>The Mortgage Brokers Act</i>	407	407	415
Education			
Salesperson Pre-Licensing Education Enrolments*	822	349	350
Broker Pre-Licensing Education Enrolments	54	27	37
Re-Licensing Education Completions	2,107	2,082	2,092
Financial Filings and Compliance Audits			
Registered Broker Reports Reviewed	396	397	395
Final Close-Out Reports Reviewed	12	13	27
Brokers Suspended for Failure to File	5	11	6
Investigations and Enforcement			
General Investigations and Inquiries**	199	222	146
Formal Investigations**	38	34	10
Complaints Resulting in a Warning or Reprimand	4	6	3
Complaints Resulting in Further Action by MSC	4	3	4
Interest Earned on Broker Trust Accounts (In Thousands)			
Interest Earned	211	342	280
Total Disbursements to MREA	20	175	280
Disbursements to non-profit orgs***	111	167	-
Funds Held in Trust by MREA	490	485	397
Disbursement to the Minister of Finance	0	0	0
Balance Remaining After Disbursement to MREA	80	0	0
Unclaimed Trust Account Funds (In Thousands)			
Balance Forwarded at April 1, 2020	25	25	25
Received During the Fiscal Year	2	1	6
Sub-Total	27	26	31
Disbursement to the Minister of Finance	2	1	6
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 18, Real Estate, for the list of individual disbursements to non-profits.

	2020/2021	2019/2020	2018/2019
Insurance Sector			
Special Insurance Broker Licenses	6	6	8
Number of Licensed Insurers - Federal	169	170	175
Number of Licensed Insurers - Provincial	47	49	48
Complaint Files Opened	53	52	59
Complaint Files Closed	45	82	50
Complaint Files in Progress	25	14	44
Insurance Council of Manitoba			
Examinations for Agents, Brokers, and Adjusters	3,640	3,875	2,638
Pass Rate	75%	74%	80%
Successful Applications	2,745	2,859	2,111
Agent, Broker, and Adjuster Licences Issued	23,006	21,886	18,066
Complaint Files Against Agents, Brokers, Adjusters Opened	22	61	88
Complaint Files Against Agents, Brokers, Adjusters Closed	32	54	89
Presented to Council for Decision	7	14	19
Appealed Decisions	0	0	0
Complaints Filed Against Agents, Brokers, Adjusters in Progress	22	32	25
Credit Union Sector			
Credit Unions in Manitoba	22	25	26
<i>Caisses Populaires</i> in Manitoba	1	1	1
Combined Assets (Billions)	\$37.8	\$34.5	\$31.8
Member Deposits (Billions)	\$34.4	\$31.3	\$28.8
Member Equity (Billions)	\$2.4	\$2.3	\$2.2
Co-operatives Sector*			
Co-operatives in Manitoba	-	313	332
Housing Co-operatives	-	61	61
Consumer Co-operatives	-	47	49
Active Members (Thousands)	-	570+	570+
New Incorporated Co-operatives	-	3	10
Dissolved Co-operatives	-	21	13
Revived Co-operatives	-	2	1
Securities Offering	-	-	-
Documents Approved	1	1	3
Housing Cooperative Appeals	5	8	13
Trust and Loan Corporations			
Federal	50	49	49
Extra-Provincial	3	3	3

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



Performance Reporting

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

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

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

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

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

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

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

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

Service Standards

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

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

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

CSA service standards include issuing comment letters for prospectus filings

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

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

The Public Interest Disclosure Act

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

Wrongdoing under the Act may be:

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

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

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

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

The following is a summary of disclosures received by the MFSA for the fiscal year 2020/21. (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**

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	Re/Max Valleyview Realty
Tom Fulton	RE/MAX Performance Realty
Lori Richard	Canadian Condominium Institute, Manitoba Chapter
David Powell	Powell Property Group
David Salvatore	Manitoba Real Estate Association
Keith Schinkel	MSC
Ron Tardiff	Sutton Group – Kilkenny Real Estate
Robert L. Tyler	Manitoba Bar Association
Garret Wong	Professional Property Managers Association

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





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