



Manitoba Financial Services Agency

2020 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, 2020

Respectfully submitted,

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, 2020.

Respectfully submitted,

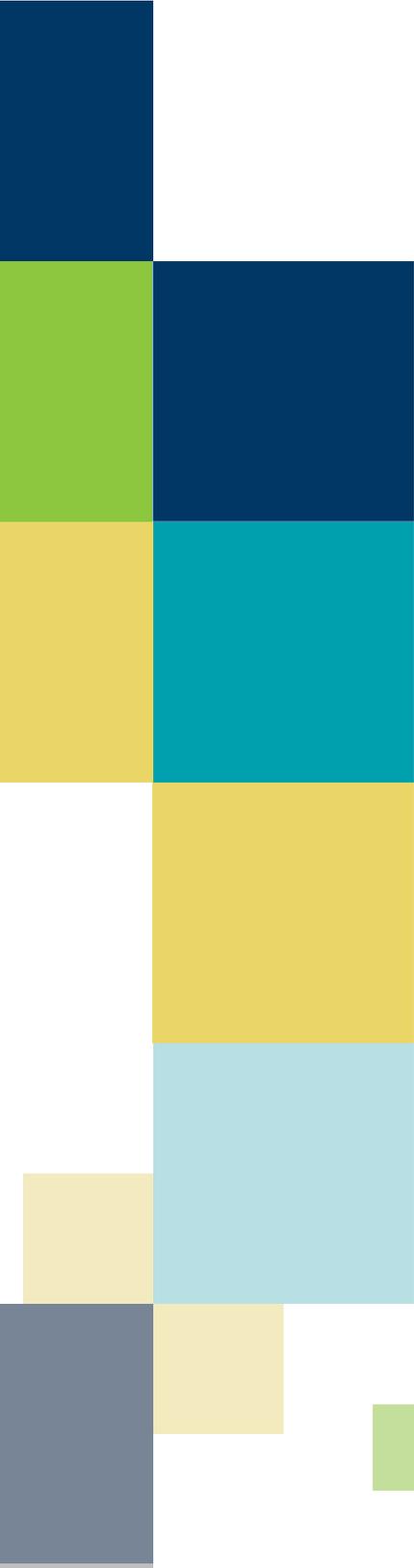
David Cheop
Chief Administrative Officer
Manitoba Financial Services Agency





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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

The 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 (MSC) and Financial Institutions Regulation Branch (FIRB).

Mission

MSC's mission 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.

FIRB's mission is to provide a legislative and regulatory framework to promote the orderly growth of the insurance industry, credit unions and *caisses populaires*, cooperatives and trust and loan companies in Manitoba, and ensure adequate standards are maintained to protect the public.

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.

The mandate of FIRB is to provide regulatory oversight in order to protect the public interest and foster business in the regulated sectors.

1 *Caisse Populaire*

25 Credit Unions

52 Trust and Loan Corporations

219 Insurance Companies

313 Co-operatives

407 Individuals Registered Under
The Mortgage Brokers Act



950 Firms Registered Under
The Securities Act

2,466 Individuals Registered
Under *The Real Estate
Brokers Act*

5,888 Reporting Issuers Under
The Securities Act

21,886 Insurance Agents,
Brokers, and Adjusters

15,719 Individuals
Registered Under
The Securities Act



CAO's Message

The past year will forever be defined

by the events of March 2020, which saw the COVID-19 Coronavirus sweep the country. The pandemic forced most of the staff of the Manitoba Financial Services Agency to relocate away from our offices on very short notice and provide services to industry and the public remotely. While there were initially a few complications, we were able to continue our work with almost no interruption. This was due in no small part to the flexibility and resourcefulness staff displayed in adapting to an environment that was changing on an almost daily basis. I want to thank everyone for the dedication and positive attitude shown in these difficult times.

The Agency, working with our colleagues at other financial service regulators, responded in a range of areas to address unexpected challenges industry was suddenly facing as a result of the pandemic, including:

- deferring filing deadlines for issuers, registrants, investment funds and exchanges
- providing guidance to public companies on holding virtual annual general meetings
- facilitating certain restricted insurance agents providing services outside their office
- extending comment periods on securities instruments that were currently out for comment by 45 days
- deferring the deadline insurance agents and adjusters had to complete and report continuing education
- allowing listing agreements and offers to purchase relating to residential real estate to be signed electronically



David Cheop

However, responding to the challenges of the COVID-19 pandemic was only part of the Agency's efforts in 2019/2020.

In the securities area, the Agency, in conjunction with the other provincial and territorial regulators that comprise the Canadian Securities Administrators (CSA), adopted a new three year business plan in May, 2019. This document sets out a range of priorities intended to reflect the CSA members' commitment toward the continued protection of investors from unfair, improper and fraudulent practices, the ongoing efficient functioning of capital markets, and the reduction of risks to market integrity and maintaining investor confidence in the markets. A key consideration underlying this plan is a focus on the elimination of undue regulatory burden and streamlining of regulatory requirements without reducing investor protection or impeding the efficient functioning of capital markets.

Working with our CSA colleagues we have undertaken a number of initiatives during the past year that further these goals, including:

- adopting rules on the discontinuation of the deferred sales charge option on the sale of investment funds and working to finalize the prohibition on the payment of trailing commissions by fund manufacturers to dealers who do not provide advice to clients
- progressing on the National Systems Renewal Program (NSRP), which will update the key information technology used by registrants, issuers and the public
- initiating a review of the framework governing self-regulatory organizations (SROs) in Canada, which play a key role in the oversight of the Canadian securities industry, in light of changes in the products and services offered to the public and in clients' needs and expectations
- publishing for comment proposed amendments designed to clearly set out how registrants can address situations involving diminished mental capacity or the potential financial exploitation of vulnerable clients
- working with the SROs and industry to facilitate the implementation of the client focused reforms, which address the conflicts of interest in registrants' dealings with clients to ensure they are resolved in a fair and reasonable manner.

Investor education continues to be a key focus of the Agency and the enhancement of the [MoneySmart Manitoba](#) program, which provides unbiased advice to the public on how they can help realize their financial goals, is an important element of this mandate.

Working closely with the Department of Finance, significant amendments have been drafted to the legislation governing Manitoba's credit union and the *caisse populaires* sector, which were introduced in the Legislature in March. These amendments are intended to update the regulatory framework for these institutions to address the important and evolving role they play in Manitoba's economy. Similarly, we are continuing to work towards the proclamation of *The Real Estate Services Act*, which will update the rules governing the real estate brokerage industry in Manitoba.

The past year has seen significant and unprecedented challenges to our province. The Agency and its staff have worked diligently to help address some of the challenges our registrants, issuers and the public faced. We remain committed to serving these constituencies and doing our part in ensuring the continued strength and resilience of Manitoba's financial services sector.



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



Ms. Andrea Martens



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



Mr. David Huberdeau-Reid



Ms. Linda Vincent

Hearings and Commission Meetings

During the fiscal year 2019/2020, the Manitoba Securities Commission held a total of 16 Commission meetings, 32 hearings, and 12 special meetings. Hearing attendance by individual Commissioners is determined on a case by case basis by the Chair, factoring in a variety of considerations.

On May 22, 2019, Linda Vincent was appointed to the Commission.

	DJM	CDB	AEM	JTM	DHR	LAV
COMMISSION MEETINGS	14/16	12/16	7/16	13/16	11/16	10/11
HEARINGS	5	17	1	24	26	13
SPECIAL MEETINGS ¹	7	2	5	1	2	3

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.

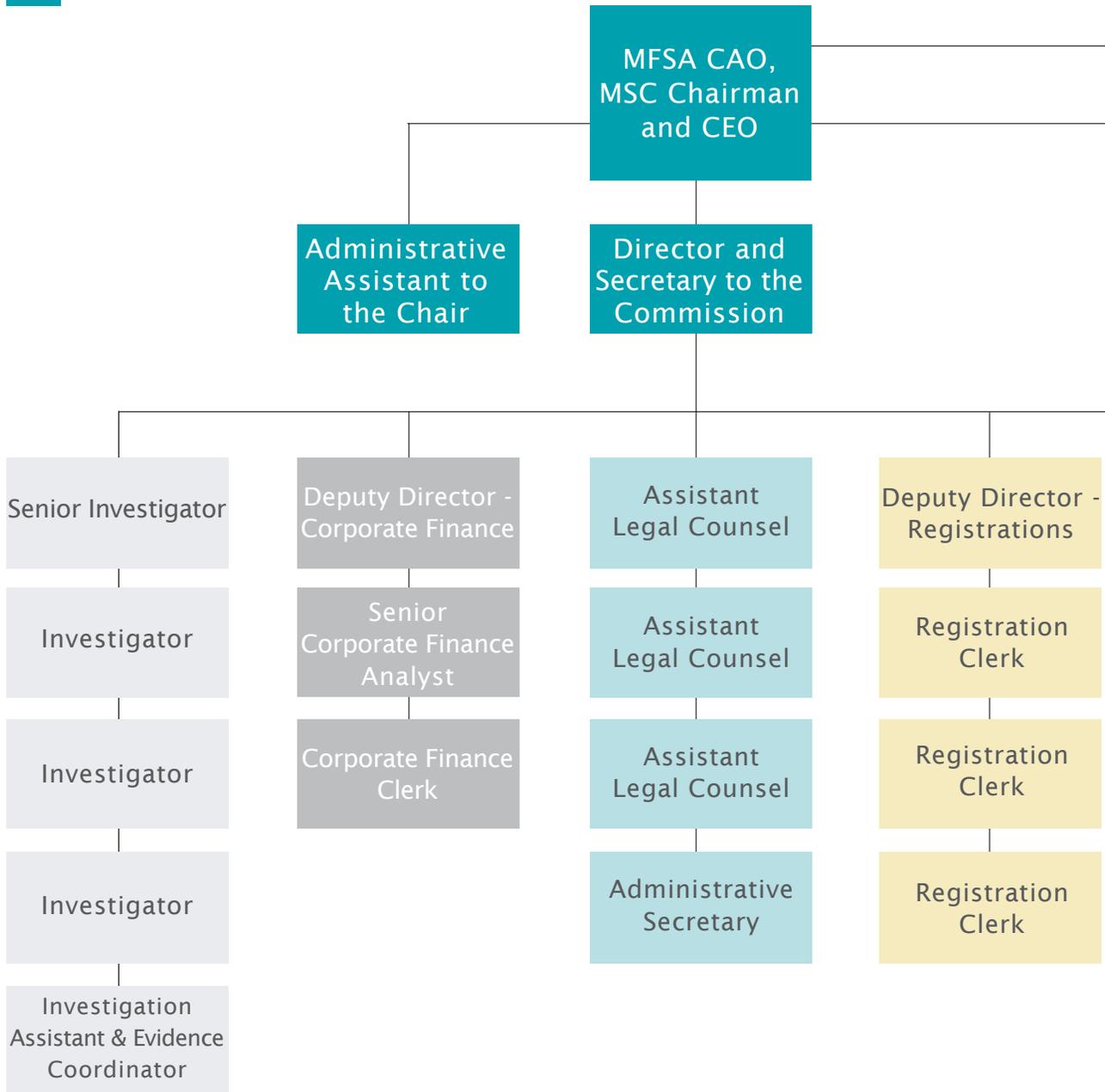
	F		M	
2019/20				
Commission Members	3	50%	3	50%
Management	4	36%	7	64%

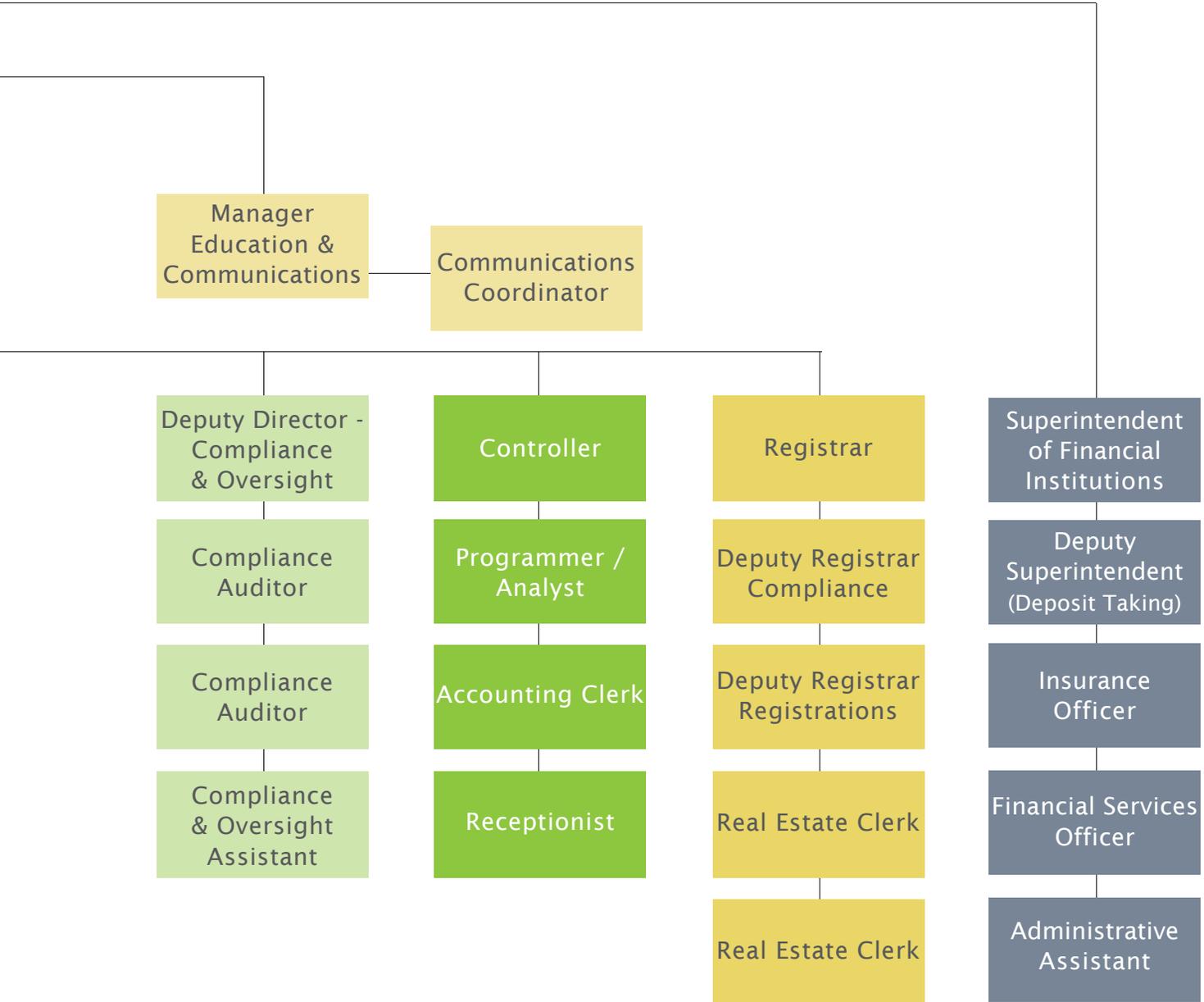
The MFSA employs a combined 48.6 Full-Time Equivalent (FTE) staff positions.

	FTE Staff Positions	Estimated Staff Expenditures (in thousands)	Actual Staff Expenditures (in thousands)	Variance* Over (Under) (in thousands)
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)
2015/2016	48.6	\$4,355	\$3,756	(\$599)

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

Organizational Chart





Education & Communications

Launched in early 2019, the MoneySmart Manitoba initiative is an unbiased source of financial information tailored to the needs of organizations, individuals, and families in Manitoba. MoneySmart served as the central platform for launching several investor education projects throughout the year.

In March, MoneySmart celebrated International Women's Day with a free financial literacy event at McNally Robinson Booksellers. Authors Ardelle Harrison and Leslie McCormick shared money management wisdom from their new book, *Bank on Yourself: Why Every Woman Should Plan Financially to Be Single, Even If She's Not*, followed by a Q&A session. The event was a great opportunity to address the specific financial challenges, struggles and experiences of women.

International Women's Day recognizes and celebrates the social, economic, cultural and political achievements of women, and the event focused on the idea that financial literacy leads to financial empowerment. The event attracted 100 guests from Winnipeg and beyond.

Working together with strong community partners, CJOB hosts Julie Buckingham and Richard Cloutier, Career Trek, and McNally Robinson, we created an opportunity for Manitobans to learn about financial literacy matters and the role that finances plays out in their lives.

Following the event, we took the opportunity to further engage with Manitobans on the topics and ideas brought forward by distributing MoneySmart and MFSA resources

QUOTE

“Just wanted to thank you again for including me in an AMAZING event to celebrate International Women's Day. I'm very excited about starting some new plans for myself!”

- IWD Event Attendee

to attendees, posting our first 'Guest Blog' on moneysmartmanitoba.ca featuring Ardelle Harrison, and sharing the event podcast with 500+ people and organizations around the province.

Radio played an important role in getting our financial literacy message out to Manitobans. MoneySmart's #talkingfamilies campaign was the focus of a multi-part special presentation on CJOB 680, while CJNU 93.7 FM was a key partner in our Fraud Prevention Month activities.

Print and web materials continued to be a critical component of education efforts as well. In addition to numerous blog posts, articles and infographics, MoneySmart distributed its 2020 calendar to 6,000+ individuals and organizations across the province, and launched *My Personal Affairs Record Keeper* —a free print and online booklet for Manitobans to keep track of important personal details and financial information and as a complement to a thorough estate plan. The Record Keeper has already gone out to 600+ seniors and seniors organizations.

Education & Communications Numbers at a Glance



3 Cautions and
5 Investor Alerts Warning
Manitoba Investors



22 Press Releases Issued
to Local Media



250+ Facebook Posts

1,600 Twitter Posts between
@MoneySmartMB and
@MSCommission

Legal

One of the real challenges to the MFSA was the advent of COVID-19. The Legal area was an integral part of the response by the MFSA to position the agency to be able to continue fulfilling its regulatory function while maintaining a safe and effective work environment for staff to continue their work with minimal disruption to our stakeholders. We helped coordinate with other Canadian Securities regulators the granting of exemptive relief that assisted both the capital markets and our registrant community to be able to operate during these difficult times by temporarily easing regulatory burdens without impacting investor protections. This coordinated effort allowed our stakeholders to continue operating in our local markets as well as Canada-wide.

During the pandemic, the Commission took steps to continue ongoing proceedings while

observing public health guidance, conducting meetings as well as hearings utilizing teleconferencing and videoconferencing.

Legal staff assist all areas of the MFSA in policy development. On the Securities side, we have been involved with CSA members in the review of capital-raising exemptions, introducing new exemptions, implementing the Client Focused Reforms initiatives to enhance the client relationship for investors and enhance investor protections. We are also actively involved in putting forward proposals that reduce regulatory burden without compromising 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

LEGAL STATISTICS 2020

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

new business models and technologies that are changing the financial markets and their impacts on regulation. We have been actively looking at cryptoassets and working with local participants who are involved in that area.

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. This includes the development of regulations to *The Real Estate Services Act*, (RESA) which will be published for comment in the coming months.

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. There were several cases dealt with in the past

year resulting in some of the most significant penalties assessed by the Commission.

One such notable case was the matter of Jeffrey Rabb, a Winnipeg property manager who plead guilty to misappropriating funds from investors; specifically, using property owners' money to fund personal projects including renovations on his own home. In November, the Commission approved a settlement agreement stating that Rabb's company Winpark Dorchester—later called Alderman Capital—defrauded property owners of approximately \$421,000 between 2009 and 2015. The agreement stipulated that Rabb's license with MSC be revoked, that he would be banned for life, and would pay \$100,000 to the province and the Commission. Rabb received an additional sentence of one-year house arrest by a Manitoba provincial court judge in a related proceeding.

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

Compliance & Oversight

In December 2019, the CSA announced it would undertake a review of the current self-regulatory organization (SRO) framework in Canada. Compliance Staff are part of the CSA Working Group (WG), comprised of representatives from recognizing regulators of the MFDA and IIROC, which was established to conduct the review.

The regulatory framework for SROs in Canada has been in place for some time, and periodically over the years has come into question. The WG will assess whether the framework in place continues to be appropriate, and as necessary, recommend changes to improve the framework. As part of the project, the WG has revisited the historical policy reasons relied upon to support the current SRO model and considered the evolution of the market including the

complexity of investment services, consolidation in the financial sector and whether the current system is effective and efficient in meeting the needs of the investing public.

Over the past months, the WG has held informal consultations with entities forming part of the Canadian SRO model and other key industry stakeholders to gather information and feedback. The purpose of the consultations was to understand the issues that have arisen with the current SRO framework, the related implications, and to identify possible options to address the issues raised. A specific list of questions was used during each consultation to ensure consistency in addressing the issues.

The WG is currently developing a consultation paper for broader comment from stakeholders that is targeted to be published by mid-2020.

DEFINING COMPLIANCE

Compliance and Oversight monitors the activities of registrants, including self-regulatory organizations such as IIROC and MFDA, and is responsible for oversight of exchanges and trading systems in Manitoba.

This year, staff of the Commission completed drafting the regulations to accompany the new *Real Estate Services Act*. RESA will replace the existing *Real Estate Brokers Act* and will greatly modernize the regulatory structure that governs the real estate industry in Manitoba.

Now that the task of drafting the regulations is complete, the next step in the process is to release the regulations for public consultation. The Commission is hopeful that the public consultation process will take place later this year.

A special committee has been struck to update the prescribed forms of offers to

purchase for residential and condominium properties. The committee includes representatives from the Commission, the real estate industry and the legal profession.

In response to important provincial requirements to maintain social distancing during the COVID pandemic, MSC granted special urgent relief to the real estate industry, allowing listing agreements and offers to purchase relating to residential real estate to be signed electronically. The exemption is a temporary measure taken to reduce the risk of COVID exposure during real estate transactions, and will be in place until Sept. 30, 2020, with the possibility of extension as required.

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 \$342,000.

Funds were distributed to the following in 2020 (in thousands):

	MREA - Update of Manitoba Education Courses	\$175
	Housing Opportunity Partnership	35
	Habitat for Humanity	40
	Manitoba Tipi Mitawa	\$92
	<hr/>	
	Total	\$342

Financial Institutions Regulation Branch

As a result of Manitoba joining the New West Partnership Trade Agreement (NWPTA), the Department of Growth Enterprises and Trade (GET) passed legislation in October 2019 which included consequential amendments to The Cooperatives Act. Bill 22, *The Business Registration, Supervision and Ownership Transparency Act* permitted the transfer of the Cooperatives Registry from FIRB to the Companies Office (Corporate Registry). The Cooperatives Registry had been administered by the Cooperatives Services Branch, Department of Agriculture (one of FIRB's predecessors) since the later part of the 19th century. The Registry transfer becomes effective during the fiscal year 2020-2021. FIRB remains responsible for the review of securities offerings and housing cooperative appeals.

DEFINING FIRB

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

Corporate Finance focused on four key areas during the fiscal year: investor protection, reduction of regulatory burden, the National Systems Renewal Program (NSRP), and a number of other important topics.

For investor protection, Corporate Finance finalized rule changes to mitigate the conflict of interest and related investor harms arising from the use of the deferred sales charge (DSC) purchase option and worked on finalizing rule changes to discontinue the payment of trailing commissions by fund organizations to dealers who do not provide suitability advice.

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 the NSRP, recently renamed as 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 Climate Change-related Risks* and of *Women on Boards and in Executive Officer Positions*; *Development of Securities Rules for Non-GAAP and Other Financial Measures*; and *Real Estate Activities Disclosure in an Offering Memorandum*. In particular, we provided assistance to all issuers 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

As previously reported in 2018-2019, Investigations spent considerable time and attention throughout 2019-2020 on various forms of offshore investment fraud, predominantly connected to cryptocurrency and forex trading. The Manitoba-led CSA Investment Fraud Task Force (IFTF) focused its priorities on combatting these types of fraud and raising public awareness.

In September, the Task Force presented the IFTF Strategy on Binary Options to the International Organization of Securities Commissions (IOSCO).

During 2019-2020, five Investor Alerts were issued at the recommendation of Investigations. As a result, local media interviewed Investigations staff on multiple occasions, promoting awareness of fraud in our community and offering advice on how Manitobans can protect themselves and their families.

Investigations is working proactively to stay ahead of fraud in Manitoba and have recently stepped up surveillance of fraudulent investment advertisements from online marketing sites and social media platforms in the wake of Covid-19.

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.

MSC chaired the CSA Registrant Regulation Committee (RRC) this fiscal year, and implemented four noteworthy activities in conjunction with the MFDA and IIROC.

RRC helped coordinate the publication for adoption on June 12, 2019 amendments to section 14.6.1 of NI 31-103 to reflect the recent amendments to subsection 6.8(2) of NI 81-102. The intent of the Proposed Custody Amendments is to give all clients and investment funds of registered firms the same ability to deposit assets with certain dealers in respect of cleared over-the-counter derivatives. In the absence of making the Proposed Custody Amendments, this option would only be available to investment funds that are subject to NI 81-102.

The RRC also coordinated publication of *CSA Staff Notice 31-356 Guidance on Compliance Consultants Engaged by Firms Following a Regulatory Decision* setting out staff expectations around the selection of compliance consultants, the proficiencies compliance consultants should possess, and the expectations on reporting of the firm's activities over the course of such an engagement.

The Committee provided expertise to the project committee relating to the review of comments and finalization of proposed amendments to NI 31-103 and the Companion Policy to NI 31-103 concerning client focused reforms. The proposed amendments were

published as a final rule on October 3, 2019 to be effective December 31, 2019, with some of the reforms being subject to a transition period over the next two years. The amendments are meant to provide significant enhancements to the client registrant relationship. In general terms, registrants will be required to:

- address conflicts of interest in the best interest of the client,
- put the client's interest first when making a suitability determination, and
- do more to clarify for clients what they should expect from their registrants.

Operational issues discussed included:

- including system changes to the National Registration Database (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 faith-based registrants;
- provided input to the Derivatives committee concerning member rule amendments being proposed by IIROC;
- relief concerning a request from the portfolio managers' industry association for changes 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.



Management's Discussion & Analysis

for the year ended March 31, 2020

Management's Discussion and Analysis

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, 2020. 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, 2020 was \$17.7 million, an increase over the prior year by \$13.7 million. Revenues of \$23.1 million exceeded budgeted revenue by \$2.1 million. Expenses of \$5.4 million came in under budget by \$749,000. The net result was annual surplus exceeded budgeted annual surplus by \$2.9 million.

Revenue

The Agency exceeded its revenue targets by \$2.1 million or 10.1% because of increased market activity. This year's revenue totaled \$23.1 million, as compared to last year's total of \$23 million. See table below for details.

Revenue (000's)	2020	% of Total	2019	% of Total	2020 % Increase/ (Decrease) from 2019
Corporate Finance Fees	\$ 12,247	53%	\$ 12,771	56%	(4.3)%
Registration Fees	6,491	28%	6,474	28%	.3%
FIRB Fees	2,042	9%	1,885	8%	8.3%
Real Estate Fees	1,524	7%	1,281	6%	19%
Investment Income	585	3%	399	2%	46.6%
Legal Fees	139	-%	95	-%	46.3%
Miscellaneous Income	83	-%	87	-%	(3.6)%
	\$ 23,111	100%	\$ 22,992	100%	.5%

Corporate finance fees and registration fees accounted for 81% of the Agency's 2020 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, Coop/Credit Union Fees and Trust and Loan Fees.

Expenses

Overall, total expenses for fiscal year 2020 were \$5.4 million, an increase of \$392,000 over fiscal year 2019. See table below for details.

Expenses (000's)		2020	% of Total	2019	% of Total	2020 % Increase/ (Decrease) from 2019
Salaries and Benefits	\$	3,783	71%	\$ 3,446	70%	8.9%
Operating Expenses		1,567	29%	1,504	30%	4%
Amortization		16	-%	24	-%	(33.3)%
	\$	5,366	100%	\$ 4,974	100%	7.3%

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

Total expenses were \$749,000 or 12.2% below budget. Explained variances in salaries and benefits and operating expenses are below.

Salaries and Benefits

Overall, salaries and benefits increased by 8.9% or \$337,000 over the previous year. For the fiscal year ending March 31, 2020, salaries and benefits were 12.7% below budget due to vacancies and the impact of the Voluntary Reduced Workweek program.

Operating Expenses

Operating expenses for the fiscal year were 4% higher than last year and were under budget by \$190,000 or 10.8% primarily due to:

- CSA Initiatives - under budget by \$31,000 due to lower than expected expenditures for national initiatives.
- Contract Services – under budget by \$96,000 due to lower than expected information systems costs and National Systems Renewal Project costs.
- Education/Information Initiatives – under budget by \$71,000 due to the timing of initiatives.
- Premises – under budget by \$33,000 due to lower than expected costs for Unit 207.
- Staff Development & Professional Dues – under budget by \$68,000 due to lower than expected membership fees.
- Telecommunications – under budget by \$12,000 due to lower than expected Mobility costs.
- Travel – under budget by \$40,000 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:

- Office Materials and Supplies – over budget by \$38,000 due to higher than expected printing and advertising costs.
- Professional Services – over budget by \$118,000 due to higher than expected consulting fees and records searches.

Capital Expenditures

Capital expenditures for the 2019-2020 fiscal year were \$12,000. Capital expenditures are financed through operations.

Liabilities

Accrued liabilities were \$133,000 for the year ending March 31, 2020. This balance represents accrued vendor obligations. Accrued vacation and severance liabilities were \$324,000 and \$552,000 respectively as at March 31, 2020 (March 31, 2019 - \$254,000 and \$502,000). Accrued salaries and benefits were \$29,000 for the year ending March 31, 2020 (March 31, 2019 – Nil). 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 disposition of surplus operating funds consists of payments made to the Consolidated Revenue Fund of the Province of Manitoba according to Treasury Board directives. With the focus of the Provincial Government switching to summary budgeting, a transfer of surplus funds was not required for the fiscal year 2019-2020.

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 \$43.4 million as of March 31, 2020.

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, 2020, 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.

2020/2021 Overview

For the fiscal year ending March 31, 2021, 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 be monitoring 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, 2020, 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 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.



MFSA Financial Statements

for the year ended March 31, 2020

- 30. Management's Responsibility for Financial Reporting
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Management's Responsibility for Financial Reporting

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

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

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

On behalf of Management,

Manitoba Financial Services Agency



David Cheop
CAO, MFSA
Chair and CEO, MSC



Marlene Nemes, CPA, CMA
Controller

May 20, 2020



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BDO Canada LLP
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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, 2020, 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, 2020, 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 20, 2020

MANITOBA FINANCIAL SERVICES AGENCY

Statement of Financial Position (in thousands)

March 31	2020	2019
Financial Assets		
Cash and cash equivalents (Note 5)	\$ 43,427	\$ 25,490
Accounts receivable (Note 6)	115	142
Portfolio investments	1,019	1,019
	<u>44,561</u>	<u>26,651</u>
Liabilities		
Accounts payable and accrued liabilities	133	112
Accrued vacation entitlements	324	254
Accrued salaries and benefits	29	-
Employee future benefits (Note 7)	552	502
	<u>1,038</u>	<u>868</u>
Net financial assets	<u>43,523</u>	<u>25,783</u>
Non-financial Assets		
Tangible capital assets (Note 8)	38	42
Prepaid expenses	75	66
	<u>113</u>	<u>108</u>
Accumulated surplus	<u>\$ 43,636</u>	<u>\$ 25,891</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	2020	2020	2019
	Budget	Actual	Actual
Revenue			
Fees	\$ 20,784	\$ 22,443	\$ 22,506
Interest	200	585	399
Miscellaneous	16	83	87
	21,000	23,111	22,992
Expenses			
Amortization - capital assets	24	16	24
CSA initiatives*	117	86	87
Contract services	363	267	297
Education/Information initiatives	111	40	117
Miscellaneous	33	29	34
Office materials and supplies	77	115	49
Premises	583	550	554
Professional services	121	239	133
Research resources	63	72	66
Salaries and benefits	4,334	3,783	3,446
Staff development and professional dues	105	37	40
Telecommunications	81	69	75
Travel	103	63	52
	6,115	5,366	4,974
Annual operating surplus	14,885	17,745	18,018
Transfer to the Province of Manitoba (Note 11)	-	-	14,000
Annual surplus	14,885	17,745	4,018
Accumulated surplus, beginning of year	22,184	25,891	21,873
Accumulated surplus, end of year	\$ 37,069	\$ 43,636	\$ 25,891

* 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	2020		2020		2019	
	Budget		Actual		Actual	
Annual surplus	\$	14,885	\$	17,745	\$	4,018
Tangible Capital Assets						
Acquisition of tangible capital assets		(9)		(12)		(11)
Amortization of tangible capital assets		24		16		24
Net change in tangible capital assets		15		4		13
Other Non-financial Assets						
Decrease (increase) in prepaid expense		1		(9)		(5)
Net acquisition of other non-financial assets		1		(9)		(5)
Increase in net financial assets		14,901		17,740		4,026
Net financial assets, beginning of year		22,104		25,783		21,757
Net financial assets, end of year	\$	37,005	\$	43,523	\$	25,783

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	2020	2019
Cash provided by (applied to):		
Cash Flows from Operating Activities		
Annual surplus	\$ 17,745	\$ 4,018
Amortization of tangible capital assets	16	24
	17,761	4,042
Changes in non-cash working capital balances		
Accounts receivable	27	(27)
Prepaid expenses	(9)	(5)
Accounts payable and accrued liabilities	21	35
Accrued vacation entitlements	70	(56)
Accrued salaries and benefits	29	-
Employee future benefits	50	(20)
	17,949	3,969
Cash Flows from Capital Activities		
Acquisition of capital assets	(12)	(11)
Increase in cash and cash equivalents	17,937	3,958
Cash and cash equivalents, beginning of year	25,490	21,532
Cash and cash equivalents, end of year	\$ 43,427	\$ 25,490
Supplementary Information		
Interest received	\$ 539	\$ 377

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, 2020

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, 2020

3. Significant Accounting Policies (continued)

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, 2020

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:

	2020		2019
Cash and cash equivalents	\$ 43,427	\$	25,490
Accounts receivable	115		142
Portfolio investments	1,019		1,019
	\$ 44,561	\$	26,651

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.

For the year ended March 31, 2020

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, 2020 (Nil in 2019).

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.

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 0.70% and 1.75%.

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2020

6. Accounts Receivable

	2020		2019
Accrued interest	\$ 105	\$	62
Trade	10		80
	<u>\$ 115</u>	<u>\$</u>	<u>142</u>

7. Employee Future Benefits

Pension Benefits

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

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

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2020 was \$217 (\$205 in 2019). 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 operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2020 is \$552 (\$502 in 2019). The actuarial loss of \$36 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, 2020

7. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2017 valuation, and in the determination of the March 31, 2020 present value of the accrued severance benefit obligation were:

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

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

	<u>2020</u>		<u>2019</u>
Accrued benefit liability			
Balance, beginning of year	\$ 544	\$	568
Benefits accrued	21		22
Interest on accrued benefits	23		22
Severance paid	-		(68)
Balance, end of year	<u>588</u>		<u>544</u>
Less unamortized actuarial losses	<u>(36)</u>		<u>(42)</u>
Severance benefit liability	<u>\$ 552</u>	\$	<u>502</u>

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

	<u>2020</u>		<u>2019</u>
Interest on obligation	\$ 21	\$	22
Current period benefit cost	23		22
Amortization of actuarial losses over EARSL	<u>5</u>		<u>5</u>
Total expense related to severance benefit	<u>\$ 49</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, 2020

8. Tangible Capital Assets	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
				2019
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	\$ 61	\$ 7	\$ -	\$ 68
Furniture and fixtures	229	-	-	229
Leasehold improvements	74	-	-	74
Computer hardware	143	4	-	147
Computer software	869	-	-	869
	1,376	11	-	1,387
Accumulated Amortization				
Office equipment	55	5	-	60
Furniture and fixtures	203	14	-	217
Leasehold improvements	52	4	-	56
Computer hardware	143	-	-	143
Computer software	868	1	-	869
	1,321	24	-	1,345
Net book value	\$ 55	\$ (13)	\$ -	\$ 42

Notes to Financial Statements (in thousands) 

For the year ended March 31, 2020

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 2019) of its portfolio investments as designated assets for the following purposes:

The Agency maintains separate deposits of \$750 (\$750 in 2019) 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 1.65% with a maturity date of April 20, 2020.

The Agency has received \$269 (\$269 in 2019) 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. The investment bears interest at 0.79% with a maturity date of March 30, 2021.

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.

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. There were no transfers made during the current year (\$14,000 in 2019). With the focus of the Provincial Government switching to summary budgeting, a transfer to the Province of Manitoba is no longer required.

12. Uncertainty due to COVID-19

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the Agency. Management is actively monitoring the affect on its financial condition, liquidity, operations, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Agency is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

MANITOBA FINANCIAL SERVICES AGENCY

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

For the year ended March 31	2020	2020	2019
	Budget	Actual	Actual
Revenue			
Fees	\$ 18,824	\$ 20,401	\$ 20,621
Interest	200	585	399
Miscellaneous	1	2	2
	<u>19,025</u>	<u>20,988</u>	<u>21,022</u>
Expenses			
Amortization - capital assets	24	16	24
CSA initiatives*	117	86	87
Contract services	323	236	266
Education/Information initiatives	111	40	117
Miscellaneous	30	28	32
Office materials and supplies	65	107	43
Premises	464	474	462
Professional membership and dues	78	25	28
Professional services	86	211	104
Research resources	61	72	65
Salaries and benefits	3,556	3,314	2,959
Staff development and professional dues	22	11	11
Telecommunications	69	60	64
Travel	88	59	47
	<u>5,094</u>	<u>4,739</u>	<u>4,309</u>
Annual operating surplus	\$ 13,931	\$ 16,249	\$ 16,713

* Canadian Securities Administrators

MANITOBA FINANCIAL SERVICES AGENCY

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

For the year ended March 31	2020	2020	2019
	Budget	Actual	Actual
Revenue			
Fees	\$ 1,960	\$ 2,042	\$ 1,885
Miscellaneous	15	81	85
	<u>1,975</u>	<u>2,123</u>	<u>1,970</u>
Expenses			
Contract services	40	31	31
Miscellaneous	3	1	2
Office materials and supplies	12	8	6
Premises	119	76	92
Professional membership and dues	-	-	1
Professional services	35	28	29
Research resources	2	-	1
Salaries and benefits	778	469	487
Staff development and professional dues	5	1	-
Telecommunications	12	9	11
Travel	15	4	5
	<u>1,021</u>	<u>627</u>	<u>665</u>
Annual operating surplus	\$ 954	\$ 1,496	\$ 1,305

Agency Statistics

for the year ended March 31, 2020

Securities Statistics

	2019/2020	2018/2019	2017/2018
Registrations Under <i>The Securities Act</i>	22,492	22,279	21,578
Registrations Under <i>The Commodity Futures Act</i>	364	361	376
Prospectuses Filed	597	611	602
Issuers Included in Prospectuses	4,333	4,275	4,232
Classes of Securities Included	21,728	23,874	23,715
Amendments and Supplements	4,270	3,082	3,136
Issuers Included	5,837	4,227	4,878
Classes of Securities Included	6,091	4,855	5,232
Rights Offerings	9	12	17
45-106F1 Capital Raising Forms* Offering Memorandums	1,598 67	1,373 49	1,297 71
Annual Financial Statements	5,308	5,176	5,023
Annual Information Forms	1,073	1,067	1,090
Issuers Made Active (opened)	343	445	361
Issuers Made Inactive (closed)	269	312	294
Reporting Issuers Under <i>The Securities Act</i>	5,888	5,814	5,681
Takeover Bids and Issuer Bids	23	21	21
Exemptions Orders	14	16	5
Investigation Orders	3	5	3
Financial Reporting Orders	4	3	1
Cease Trade Orders**	1	1	14
Miscellaneous Orders	6	3	34
Notices of Hearing Issued	2	6	11
Statements of Allegations Issued	2	5	2
Enforcement Orders Filed	7	5	10
Reciprocal Orders Filed***	0	0	7
Settlement Agreements Completed	4	1	3
Decision Documents Published	5	2	3
Completed Provincial Court Hearings	0	0	1
Pending Provincial Court Hearings	1	0	1
Completed Queen's Bench Hearings	0	0	0
Pending Queen's Bench Hearings	0	0	0
Complaints and Inquiries			
General Investigation and Enforcement	177	144	295
Formal Investigation Files Opened	9	15	19

* 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

	2019/2020	2018/2019	2017/2018
Registrations			
Registrations Under <i>The Real Estate Brokers Act</i>	2,466	2,390	2,394
Registrations Under <i>The Mortgage Brokers Act</i>	407	415	423
Education			
Salesperson Pre-Licensing Education Enrolments*	349	350	352
Broker Pre-Licensing Education Enrolments	27	37	47
Re-Licensing Education Completions	2,082	2,092	2,165
Financial Filings and Compliance Audits			
Registered Broker Reports Reviewed	397	395	415
Final Close-Out Reports Reviewed	13	27	26
Brokers Suspended for Failure to File	11	6	1
Investigations and Enforcement			
General Investigations and Inquiries**	222	146	116
Formal Investigations**	34	10	8
Complaints Resulting in a Warning or Reprimand	6	3	3
Complaints Resulting in Further Action by MSC	3	4	3
Interest Earned on Broker Trust Accounts (In Thousands)			
Interest Earned	342	280	218
Total Disbursements to MREA	175	280	218
Disbursements to non-profit orgs***	167	-	-
Funds Held in Trust by MREA	485	397	254
Disbursement to the Minister of Finance	0	0	0
Balance Remaining After Disbursement to MREA	0	0	0
Unclaimed Trust Account Funds (In Thousands)			
Balance Forwarded at April 1, 2019	25	25	25
Received During the Fiscal Year	1	6	11
Sub-Total	26	31	36
Disbursement to the Minister of Finance	1	6	11
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.

	2019/2020	2018/2019	2017/2018
Insurance Sector			
Special Insurance Broker Licenses	6	8	9
Number of Licensed Insurers - Federal	170	175	175
Number of Licensed Insurers - Provincial	49	48	49
Complaint Files Opened	52	59	58
Complaint Files Closed	82	50	50
Complaint Files in Progress	14	44	35
Insurance Council of Manitoba			
Examinations for Agents, Brokers, and Adjusters	3,875	2,638	2,215
Pass Rate	74%	80%	78%
Successful Applications	2,859	2,111	1,731
Agent, Broker, and Adjuster Licences Issued	21,886	18,066	16,189
Complaint Files Against Agents, Brokers, Adjusters Opened	61	88	132
Complaint Files Against Agents, Brokers, Adjusters Closed	54	89	171
Presented to Council for Decision	14	19	28
Appealed Decisions	0	0	0
Complaints Filed Against Agents, Brokers, Adjusters in Progress	32	25	26
Credit Union Sector			
Credit Unions in Manitoba	25	26	31
<i>Caisses Populaires</i> in Manitoba	1	1	1
Combined Assets (Billions)	\$34.5	\$31.8	\$30.1
Member Deposits (Billions)	\$31.3	\$28.8	\$27.4
Member Equity (Billions)	\$2.3	\$2.2	\$2.0
Co-operatives Sector			
Co-operatives in Manitoba	313	332	338
Housing Co-operatives	61	61	60
Consumer Co-operatives	47	49	54
Active Members (Thousands)	570+	570+	570+
New Incorporated Co-operatives	3	10	5
Dissolved Co-operatives	21	13	9
Revived Co-operatives	2	1	1
Securities Offering			
Documents Approved	1	3	1
Trust and Loan Corporations			
Federal	49	49	47
Extra-Provincial	3	3	3



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.

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.

Sustainable Development / Climate and Green Plan

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.

In 2018, this Act was replaced with the *Climate and Green Plan Act*, which, while similar, focuses more on the move to a low-carbon economy in Manitoba as part of a long-term commitment to slowing climate change, and the protection of water resources and biodiversity within the province.

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 of paper, batteries, plastics, and procures a variety of recycled items, including paper products, and other office materials.

MFSA's Securities Division is also participating in the development of the new National System Renewal Program (NSRP) that will require all filings be made electronically, with few exceptions, which will greatly reduce the use of courier / postal services and the use of paper along with the resulting retention and/or destruction of paper filings.

The MFSA maintains a continuous and balanced sustainable development process.

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 2019/20. (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	Century 21 Westman Realty Ltd.
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	Trinkl Realty Ltd.
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 Cooperatives Act, C.C.S.M. c. C223

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





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