

MANITOBA SECURITIES COMMISSION

STRATEGIC PLAN

2015-2018

The Manitoba Securities Commission (the Commission) is a division of the Manitoba Financial Services Agency (MFSA). The other division is the Financial Institutions Regulation Branch, which regulates the insurance, credit union, trust company and co-operatives industries in Manitoba. This document pertains only to the operations of the Commission.

This document is intended to be a statement of the key challenges and priorities of the Commission as well as a statement of expected outcomes. The Strategic Plan will be updated as required and the policies, procedures and actions implemented to give effect to this plan will be developed and applied within the framework of the Commission's annual planning and performance document and the annual Business Plan of the MFSA.

Mission

The role and mission of the Commission is to act in the public interest to protect Manitoba investors and to facilitate dynamic and competitive capital and real estate markets that contribute to the economic development of Manitoba while fostering public confidence in those markets.

Values

The Commission's mission and goals are supported by the following core values:

- a) to provide strong management to ensure regulatory effectiveness, control and accountability;
- b) to strive to utilize current technologies as an innovative approach to meet market expectations;
- c) to promote continuous learning, teamwork, service innovation and performance improvements; and
- d) to provide service excellence to clients at reasonable prices.

Key Challenges

Certain of the key challenges of past Strategic Plans have now largely been addressed, in particular the challenges to streamline the regulatory process with the harmonization of securities rules in Canada, the introduction of the Passport System and reformulation of the registration rule. Global events have brought new challenges front and centre.

1. Responding to global developments
The global financial crisis has heightened the importance of international cooperation and harmonization. The MSC will continue to cooperate with its provincial/territorial counterparts to ensure that the Canadian Securities Administrators (the "CSA") plays its part by actively continuing to collaborate with

regulators internationally to strengthen the Canadian securities regulatory regime, recognizing that our capital markets are globally connected.

2. **Enhancing investor protection**

The MSC will continue to focus on protecting investors from fraudulent, manipulative and misleading practices through enhancing enforcement processes, ensuring compliance with disclosure and registration requirements and investor education.

3. **Responding to local issues**

While there must be an emphasis on developing the regulatory system so as to maintain national efficiency and harmonization and to allow Canada to keep up with global regulatory reform the MSC cannot overlook the issues and specific problems affecting capital markets and investors in Manitoba. As such, while the national harmonization effort must be maintained the MSC should not do so at the expense of established rules that provide the agency with the means to deal flexibly and in a timely manner with local issues.

Our Priorities

In order to realize our vision and deal with the challenges facing us we have developed a plan calling for directed efforts in the areas of priority which are set out below:

- Cooperation in responding to global developments

Through our efforts within the CSA we will assist it to focus on and coordinate with international regulators in reviewing and developing responses to issues in systemic risks, hedge funds, derivatives and exempt market rules.

In addition the MSC is enquiring about membership in IOSCO. The eventual establishment of the CMRA will make it more important for the MSC to maintain its own connections to the international regulatory system.

- Enhancing Investor Protection

- We consider investor education to be a major part of investor protection on the understanding that an informed investor is a protected investor. Recent MSC education initiatives, including the Make it Count Program and the I'm Worth It and Your Future Self campaigns, have been well received in Manitoba and in some cases have received national distribution. The MSC will continue to improve upon existing educational vehicles and develop new ones including initiatives incorporating social media in order to fulfill this important part of our mandate. At the same time the MSC will continue to participate in CSA investor education and initiatives.
- In the area of enforcement we will continue to act in a timely manner in responding to problems and investigating and prosecuting actions against those breaching securities laws. We will enhance our technological market surveillance and investigative tools and maintain and improve upon our cooperation with other regulatory agencies. We will also promote the use of reciprocal orders issued by other Canadian

jurisdictions and work with our CSA colleagues in improving the inter-jurisdictional information sharing and a consolidated case management system.

In this regard the MSC has joined with the other CSA jurisdictions in recommending legislative changes to our respective governments that will result in automatic reciprocity for decisions/orders made elsewhere. In addition the CSA has recommended that the CMRA and non-participating CSA jurisdictions maintain an interface through a two-way passport system once the CMRA has been established. This will ensure that a national regulatory system is retained.

- As a means of proactive regulation the MSC will continue to develop and improve upon its prevention-oriented activities including field audits and continuous disclosure reviews.
 - We will continue to work with our CSA colleagues in improving prospectus disclosure and developing a point of sale disclosure regime and a risk calculation methodology for conventional mutual funds. We will also cooperate in the development of a summary document for comparable products such as ETFs.
 - We will collaborate with other CSA jurisdictions in stakeholder consultations on mutual fund fees and a standard of conduct for registrants.
 - We will continue to offer our staff training in their areas to allow them to make full use of their abilities in protecting our markets and investors.
 - In the area of real estate the Commission will maintain and enhance its contacts and ongoing work with industry groups and national and international regulatory groups. We will also continue our consultation with the public and industry in the use of Property Disclosure Statements and the possible regulation of Property Inspectors.
 - The Commission has worked with the Government of Manitoba in the development of the Real Estate Services Act, legislation to replace the Real Estate Brokers Act. This is modern legislation intended to enhance public protection. This legislation received second reading and passed through the Legislative Review Committee in 2014. It is hoped it will receive third reading in 2015. The Commission continues to work with the industry in developing Regulations.
- Responding to local issues
It is important that we at the MSC do our part to maintain the national harmonization of securities rules that has been developed with significant effort over the last few years. Manitoba markets have unique features and characteristics that are not evident in other Canadian jurisdictions and that contribute to the efficient functioning of our markets. It is necessary that the MSC maintain and exercise its authority over such matters of local importance. In so

doing we will employ flexible and responsive regulation to prevent any unanticipated interference with the application of necessary national rules.

Outcomes

Certain outcomes are anticipated in the Commission's application of this Strategic Plan to our annual planning and performing process.

Manitoba's capital markets and regulatory system will be fully harmonized nationally

We will continue the following key initiatives toward achieving this outcome:

- a) co-operatively continue the CSA project to operate the passport and legislation aimed at harmonizing the laws on a national basis and that also support international regulatory reforms;
- b) co-operate with all other regulators and governments to achieve an effective national regulatory scheme that is administered provincially and fully interfaced with the CMRA when that organization is established;
- c) participate in international or regulatory organizations such as , IOSCO, the North American Securities Administrators Association and ARELLO (Association of Real Estate License Law Officials) and in national regulatory organizations such as the CSA and CRG (Real Estate Regulators Group);
- d) reduce inter-jurisdictional impediments to information sharing and enforcement support;
- e) co-operate with the Joint Forum of Financial Regulators in the development and implementation of regulatory solutions that are harmonized across the financial services industries;
- f) participate in the continued development of national electronic information systems and databases such as SEDI, SEDAR and NRD.
- g) participate in strengthening the role and resources of the CSA Secretariat to allow it to act as a fully functioning business office as well as assist in the development of in-house operation of the CSA systems and databases.
- h) Work in the area of access to capital in Manitoba by small and medium enterprises.

Market participants and investors will have confidence in the integrity of Manitoba's capital markets

We will implement the following key initiatives toward achieving this outcome:

- a) work with our provincial government and Canadian regulators on legislative initiatives to strengthen the regulatory system;
- b) work with the CSA and industry to enhance our ability to monitor markets and develop strategies to identify and reduce illegal market activity in Canada, as well as identify and react to other investor/market issues that arise;

- c) co-operate with the other CSA members in finalizing a revised framework for regulating mutual funds in Canada which includes investor friendly point of sale disclosure;
- d) monitor and improve our timelines in the area of investigations and the hearing process to ensure that regulatory breaches are dealt with in an efficient, effective and consistent manner;
- e) continue to apply, where appropriate, the Commission's authority to order financial compensation as a means of protecting investors;
- f) inform the public on an ongoing and timely basis of significant marketplace risks or dangers to investors arising out of illegal trading activities;
- g) enhance our information/educational function and abilities to allow the Commission to reach the greatest number of Manitobans with vital information for the protection of their interests. This will include the continuation of current programs and the further development of new programs including Internet based tools.

The Public will have confidence and integrity in Manitoba's real estate markets

We will continue the following key initiative towards achieving this outcome:

- a) work with our provincial government, other Canadian regulators and international regulators and members of the industry on legislative initiatives to strengthen the regulatory system;
- b) review the legislation and regulations we administer on an ongoing basis to ensure that they are efficient, effective and modern in their scope and operations;
- c) assess the efficiency of our system (both paper based and electronic) to ensure that the industry and public are well served through their operation;
- d) complete the implementation of the regulatory regime instituted under The Mortgage Brokers Act and work towards marking improvements in The Real Estate Brokers Act;
- e) review the activities of other real estate industry service providers concerning the advisability of regulation;
- f) Assist in the enacting of RESA and complete the drafting of Regulations.

The Commission will have superior and transparent governance and accountability mechanisms

We will:

- a) continue to develop a more customer focused approach to our Commission's service delivery;
- b) improve our consistency in regulation with the development and ongoing updating of procedure and policy manuals for each functional area of the Commission;
- c) continue to develop or improve financial controls and enhance our budgeting processes.

We will enhance and fully utilize the capacity and abilities of our staff

We will undertake the following key initiatives toward achieving this outcome:

- a) provide staff with regular training opportunities to increase their professional knowledge and capabilities;
- b) provide staff, where possible, the opportunity to advance within the organization;
- c) utilize the knowledge and insight of staff in the development of our planning and performance measurement document and in the development of policies and procedures generally.

The challenges, priorities and outcomes identified will be updated regularly, applied through our annual planning and performance measurement process and reported on through our Annual Report.

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