



PRIDE PROTECTION PURPOSE

Manitoba Financial Services Agency
2016 ANNUAL REPORT



THE MANITOBA
SECURITIES
COMMISSION



FINANCIAL
INSTITUTIONS
REGULATION BRANCH



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, 2016.

Respectfully submitted,

Original Signed by Cameron Friesen

Honourable Cameron Friesen
Minister



THE MANITOBA
SECURITIES
COMMISSION



FINANCIAL
INSTITUTIONS
REGULATION BRANCH

The Honourable Cameron Friesen
Minister of Finance
Room 103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

I submit for your approval the Annual Report of the Manitoba Financial Services Agency for the fiscal year ended March 31, 2016.

Respectfully submitted,

Original Signed by Don Murray

Donald G. Murray
Chief Administrative Officer
Manitoba Financial Services Agency



- i. *Letters of Transmittal*
- 2. MFSA Mission
- 3. Message from the CAO
- 6. Commission Members
- 7. Pride, Protection, Purpose
- 13. MFSA Management
- 17. MFSA Organizational Chart
- 23. Management Discussion & Analysis
- 29. Financial Statements
- 49. Agency Statistics
- 53. Performance Reporting
- 55. Sustainable Development
- 56. The Public Interest Disclosure Act (Whistleblower Protection)
- 57. MFSA Committees
- 59. Statutes of the MFSA

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

MANITOBA FINANCIAL SERVICES AGENCY

is a **Special Operating Agency of the Province of Manitoba** that administers and enforces legislation for the province's securities and insurance sectors, real estate and mortgage brokers, credit unions, caisse populaires, co-operatives, and trust and loan companies.

The agency is comprised of two divisions:

The Manitoba Securities Commission

protects and promotes 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.

Financial Institutions Regulation Branch

provides a legislative and regulatory framework to promote the orderly growth and development of cooperatives, credit unions, and caisse populaires, and the insurance industry in Manitoba, and ensures adequate standards are maintained to protect the public.

The dedicated staff of the MFSA work with pride to:

- protect investors
- regulate financial services and cooperatives
- register financial and real estate professionals
- investigate complaints and infractions
- ensure compliance with provincial and national rules
- promote fair and efficient capital markets throughout the province



Manitoba Financial Services Agency

The Manitoba Securities Commission | 500-400 St. Mary Avenue
Financial Institutions Regulation Branch | 207-400 St. Mary Avenue
Winnipeg, Manitoba, R3C 4K5 | 204-945-2548 | TOLL FREE in MB: 1-800-655-5244

Manitoba Financial Services Agency

MESSAGE FROM THE CAO

Mr. Donald G. Murray



Don Murray, CAO

Pride. Protection. Purpose.

The Manitoba Financial Services Agency, a Special Operating Agency (SOA), was created in 2012 with the merger of the Manitoba Securities Commission (MSC) and the Financial Institutions Regulation Branch (FIRB).

The merger brought regulation of the majority of Manitoba's financial service industries into a single organization. The Agency regulates the securities, real estate, insurance, co-operatives, credit union and trust industries

in the province.

The goal of the merger was to develop synergies between these two divisions, MSC and FIRB, to enhance the level of regulation that both provide to Manitoba. Over the past four years, I've had the privilege of seeing that goal advanced, thanks to the work of our team.

The theme of this year's report is "Pride. Protection. Purpose.". While expressing a theme is new for us, adhering to these principles is not. We approach our duties with a sense of purpose and are

proud that our efforts serve the efficiency of our markets and protect investors and consumers of financial services in Manitoba.

The Manitoba Securities Commission

As a member of the Canadian Securities Administrators (CSA), the MSC continues to work cooperatively with its colleagues on regulatory improvements at local, national and international levels. These efforts include keeping pace with international regulations by implementing G20 and IOSCO regulatory

Constructed during the 2012 redevelopment of Winnipeg's historic Old Market Square, 'The Cube' is an international award-winning outdoor performance stage.

MFSA - Message from the CAO

initiatives in Canada. The CSA jurisdictions have also embarked on a long-term redevelopment of our national electronic systems that are relied on by securities industry operatives and the investing public for registration, reporting and disclosure. In addition, work continues to clarify and enhance advisors' standards of care and mutual fund fee structures.

The functional areas of the MSC's Securities Division, which include Registrations, Compliance and Oversight, Corporate Finance, Enforcement, and Education & Communications, all continue to operate at a high level also contributing their time and effort to national initiatives and policy developments through the CSA's various committees and working groups.

The MSC's Real Estate division maintains oversight of Manitoba's real estate and mortgage brokers through cooperative efforts with the industries, field audits, investigations and industry education programs.

Financial Institutions Regulation Branch

Staff at FIRB continue their work in harmonizing provincial insurance regulation with other Canadian jurisdictions and in

reviewing the regulations under *The Cooperatives Act*.

A particular area of importance for FIRB is the pending replacement of the Office of the Superintendent of Financial Institutions (OSFI) as the prudential regulator for Credit Union Central of Manitoba (CUCM). The next couple of years will be critical for the credit union industry in Manitoba and Canada. In January, 2017, we will be responsible for CUCM oversight, which involves ongoing planning, interprovincial cooperation and possible legislative/regulatory amendments.

FIRB staff have been working in these areas throughout this past year and are continuing to do so throughout 2016/17.

Acknowledgements

The MSC greatly benefits from members of its advisory groups, the Real Estate Advisory Council and Real Estate Advisory Committee. Recognition should also be given to the part-time Commission members who apply their knowledge and expertise to the benefit of Manitoba's investors.

FIRB has legislative responsibility for both the Deposit Guarantee

Corporation of Manitoba (DGCM), which guarantees deposits of credit unions and caisses populaires, and the Insurance Council of Manitoba (ICM), which provides regulatory oversight of insurance agents, brokers and adjusters. We would like to thank the DGCM staff and board and the ICM staff and council members for their dedicated service.

It is customary in this space to give thanks and acknowledgement to the professional and hard working staff of the MFSA. For this year's Annual Report we have decided to make this recognition a little more personal by specifically introducing some of our staff, from all areas of the SOA, to those who receive and review this Report. Those employees whose photographs and comments appear in this Annual Report are representative of our entire staff who work with dedication for efficiency and fairness in our markets and industries and for the benefit of Manitobans.

To all members of the MFSA team, management expresses their appreciation and thanks.

Original Signed by Don Murray

Donald G. Murray
Chief Administrative Officer,
Manitoba Financial Services Agency
Chair and CEO of the MSC



Left to Right:
Mr. Glenn Lillies
Mr. Jim Hedley, Vice-Chair
Ms. Anna Maria Magnifico
Ms. Cathy Rolland
Hon. R.D. Bell, Q.C.
Ms. Donna Janovcik
Mr. Don Murray, Chair

Commission Members

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

who meet regularly (Commission Members).

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

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



PRIDE



MFSA STAFF ARE PROUD OF THEIR

professionalism and ethics, and share a genuine concern for the public interest.

The Agency works to maintain its excellent reputation throughout the securities, real estate, insurance, credit unions/caisse populaires, and co-op sectors, by cultivating relationships with affiliated and partner organizations within Manitoba, across Canada, and worldwide.

MFSA works closely with Canadian Securities Administrators and our affiliated jurisdictions across Canada, as well as the Manitoba Real Estate Association, Investment Industry Regulatory Organization of Canada, Mutual Fund Dealers Association of Canada, Manitoba Financial Literacy Forum, Deposit Guarantee Corporation of Manitoba, Insurance Council of Manitoba, Canadian Council of Insurance Regulators, Credit Union Prudential Supervisors Association, Winnipeg Police Service, various international securities regulators, and many others.

Kamal, a male Asiatic lion at Assiniboine Park Zoo. In February 2016, Kamal was permanently transferred to the Chessington Zoo in England for breeding purposes.



PROTECTION

Built in 1905 and partially destroyed by fire in 1968, the iconic ruins of the fifth St. Boniface Cathedral have been artfully preserved and coexist with the sixth church, built in 1972.



THE MSC'S INVESTIGATIONS and LEGAL TEAM

conducted **248** Securities-related investigation and enforcement inquiries, in addition to **167** Real Estate investigation and enforcement inquiries from April 1, 2015 to March 31, 2016.

The nature of these investigations ranged from improper conduct of individuals or companies to premeditated fraudulent activities.

One example is the 2015 trial of **James Peter Yaworski**, a defendant previously sanctioned by the MSC and the Alberta Securities Commission for previous violations. Yaworski pleaded guilty to 12 counts of trading without registration in the securities of Shopplex.com Corp. Funds received by Yaworski were in excess of a half million dollars. He was sentenced to one year in prison and two years probation.

In the reporting year, MSC Senior Investigator Jason Roy was named to the Canadian Securities Administrators' enforcement working group on binary options, putting Manitoba at the forefront of nationwide efforts to combat binary options fraud.

For more information on MSC's fraud prevention initiatives, visit:

recognizeinvestmentfraud.com



PURPOSE

Winnipeg's Chinatown is celebrated with an annual two-day street festival, featuring traditional music, dance, and food. The first festival was held in 2009, to celebrate the community's centennial.



MFSA COMBINES DECADES

of professional knowledge and experience under one roof.

The Agency employs lawyers, accountants, financial analysts and auditors, former police officers, bankers, and teachers, and experts in insurance, real estate and mortgages. They are aided and complemented by a dedicated team of skilled clerks and administrators.

This experience lends itself to complex problem solving and high level thinking on a national scale.

For example, as a G20 member, Canada has committed to strengthening financial markets and managing specific risks related to Over the Counter derivatives (OTC derivatives). In order to implement the G20 commitments, the MSC Compliance and Oversight department continues to work in collaboration with the CSA and other Canadian regulators to publish a series of consultation papers and rules related to the regulatory oversight of OTC derivatives in Canada. The implementation of *MSC Rule 91-507 Trade Repositories and Derivatives Data Reporting* has allowed the MSC to implement a trade reporting framework and collect OTC trade data.

MFSA's Management Team



Terry Kirkham
Registrar,
Real Estate

Don Murray
Chair, CEO, CAO

Chris Besko
Director,
General Counsel

Jim Scalena
Superintendent,
FIRB

"I've been in different roles with the MSC for 18 years, and I've always been impressed with the calibre of our team. I feel fortunate to work with such a diligent, experienced, and enthusiastic group of professionals."

- Chris Besko



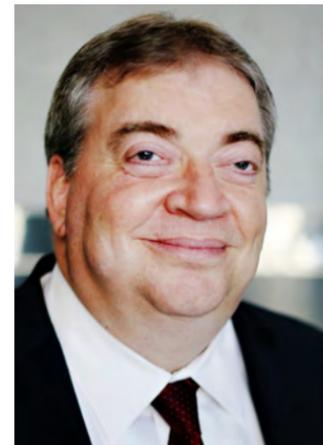
Scott Moore
Deputy Superintendent,
FIRB



Marlene Nemes
Deputy Director,
Finance and Administration



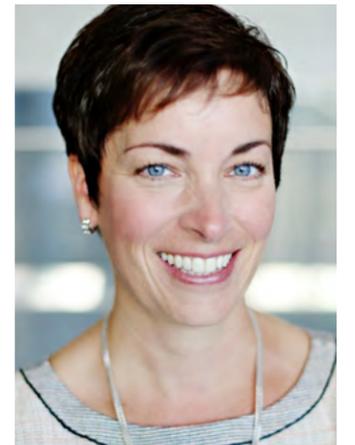
Sue Henderson
Deputy Director,
Registrations



Wayne Bridgeman
Deputy Director,
Corporate Finance



Paula White
Deputy Director,
Compliance and Oversight



Ainsley Cunningham
Manager, Education
and Communications



Jason Roy
Senior Investigator

The longest-serving member of MFSA's Management Team is Sue Henderson, who has been with the MSC for 29 years.

The longest-serving MFSA staff members are FIRB Administrative Assistant Pat Anderson, and MSC Investigation Assistant & Evidence Coordinator Cathy Larsen. Pat and Cathy will celebrate their respective 36th and 35th years in 2016. Cathy began with the MSC at just 17.

MFSA Management Team

Don Murray
MSC Chair and
Chief Executive Officer
MFSA Chief Administrative Officer

The Chair and Chief Executive Officer represents the MSC and leads the division in achieving its organizational objectives. The Chair directly oversees the Securities and Real Estate Divisions, as well as the Education and Communications area, and is responsible for addressing emerging issues relating to securities regulation in the province and across the country. Mr. Murray also serves as CAO of the MFSA as a whole.

Chris Besko
Director, General Counsel

The MSC's legal area enforces Manitoba's securities and real estate laws by prosecuting breaches of those laws in an effort to end current misconduct and prevent future contraventions. With prompt, fair and visible enforcement action, the legal team protects Manitoba investors by maintaining the integrity of Manitoba's capital and real estate markets.

Terry Kirkham
Registrar

The MSC's Real Estate Division is responsible for registering the province's real estate and mortgage brokers and salespeople. Its team also conducts investigations into complaints about alleged violations of Manitoba's real estate and mortgage laws and provides public protection by upholding the industry's governance standards.

Jim Scalena
Superintendent

FIRB regulates the operations of Credit Union Central of Manitoba and the Deposit Guarantee Corporation of Manitoba, as well as the province's credit union and caisses populaires. The FIRB team also regulates Manitoba's co-operatives and assists with developing offering documents for credit unions, caisses populaires and co-ops that wish to sell investment shares to their members.

Scott Moore
Deputy Superintendent

FIRB's insurance area regulates and licenses private insurers and special insurance brokers. The team oversees the Insurance Council of Manitoba's dealings with all other insurance agents and adjusters, handles consumer complaints about insurers and the team collects premium taxes and the fire preventions tax on behalf of the Office of the Fire Commissioner.

Wayne Bridgeman
Deputy Director,
Corporate Finance

The Corporate Finance area provides ongoing regulatory services by reviewing offering documents and continuous disclosure filings, maintaining the reporting issuers list and analyzing applications for exemptive relief from securities legislation. In addition to these daily functions, Corporate Finance is active in drafting, developing and implementing rules and policies to improve capital market regulation in Manitoba and across Canada.

Sue Henderson
Deputy Director,
Registrations

The Registrations area is responsible for registering market participants that are in the business of trading or advising in securities and commodity exchange contracts within the province. The team also carries out CSA initiatives on a local level in order to enhance the registration process and maintain accurate records about the individuals and firms conducting business in Canada.

Ainsley Cunningham
Manager, Education
and Communications

Education and Communications leads the MSC's public engagement objectives through strategic communications that engage the agency's stakeholders with programs and materials that support investor education and fraud awareness. Through media relations, corporate communications, public information and internal communications, the team

delivers relevant and timely public relations campaigns, helping Manitobans become more informed and aware investors.

Marlene Nemes
Deputy Director,
Finance and Administration

The Finance and Administration area manages the Agency's financial reporting, prepares its annual budget, and provides accurate and timely financial reports to senior management. The area also supports all Agency staff by maintaining the organization's information technology and corporate service requirements, administering necessary programs and policies that are aligned to the MFSA's organizational objectives.

Jason Roy
Senior Investigator,
Investigations

The Investigations area conducts investigations and market surveillance by responding to

MFSA Management Team

securities, commodities, and real estate complaints. The area proactively monitors Manitoba's capital markets and works with an eye toward investor protection, including publishing timely alerts that warn retail investors about potentially fraudulent activities that target Manitobans.

Paula White
Deputy Director,
Compliance and Oversight

The Compliance and Oversight area develops and administers the MSCs compliance program to monitor the activities of registrants through audits, financial statement reviews and reviews of applications for registration. The team oversees self-regulatory organizations, including the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada, as well as exchanges, clearing agencies, trade repositories and alternative trading systems.

Don Murray - CAO

THE MANITOBA SECURITIES COMMISSION

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

SECURITIES

Chris Besko - Director and General Counsel

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

Jason Roy <i>Investigations</i>	Paula White <i>Compliance/Oversight</i>	Marlene Nemes <i>Finance & Admin</i>	Wayne Bridgeman <i>Corporate Finance</i>
Len Terlinski & Manolo Mabini <i>- Investigators</i>	Brad Woods & Angela Duong <i>- Compliance Auditors</i>	Liz Klippenstein <i>Programmer Analyst</i>	Patrick Weeks <i>Corporate Finance Analyst</i>
Gerry Antaya <i>- Investigator, Real Estate</i>	Lorraine Hacault <i>Compliance Clerk</i>	Christina Norman <i>Accounting Clerk</i>	Shantel Lysak & Lisa Fulham <i>- Corporate Finance Clerks</i>
Cathy Larsen <i>Investigations Assistant & Evidence Coordinator</i>	Sue Henderson <i>Registration</i>	Ainsley Cunningham <i>Education & Communications</i>	Colette Forbes <i>Administrative Secretary</i>
	Wanda Cook Terri Pettinger Kristen Smyrski & Maryam Audu <i>- Registration Clerks</i>	Kevan Hannah <i>Communications Coordinator</i>	Renuka Raviraj <i>Continuous Disclosure Clerk</i>

REAL ESTATE

Terry Kirkham - Registrar

Keith Schinkel - Deputy Registrar, Registrations

Allan Pamplona - Deputy Registrar, Compliance

Ashlee Nadeau &

Jennifer Ross - Real Estate Clerks

FINANCIAL INSTITUTIONS REGULATION BRANCH

Jim Scalena - Superintendent of Financial Institutions

Scott Moore - Deputy Superintendent

Djemal Halilagic, Kostas Katsiroubas & Ellen Mullally - *Financial Services Officers*

Christine Fiset - *Insurance Officer*

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



MFSA Team

MFSA is comprised of two divisions: The Manitoba Securities Commission and the Financial Institutions Regulation Branch.

The administrative arm of the MSC is divided into the Securities Division and the Real Estate Division; between them they have a combined 40 permanent full-time staff positions. Staff members are spread across numerous functional areas, including Registrations, Compliance and Oversight, Enforcement, Finance and Administration, Corporate

Finance, and Education and Communications.

FIRB has nine permanent staff positions, which includes the Superintendent, and Deputy Superintendent. The administrative arm consists of three financial services officers, a part-time insurance complaints officer and administrative support employees.



SECURITIES

Corporate Finance

Filings processed during fiscal year 2016 include:



As well, companies or their underwriters must report certain exempt offerings/distributions to MSC by completing and filing Capital Raising Form 45-106F1. There were 1,174 of these forms filed during the reporting year.

Registration

In the reporting year, there were 20,659 Registrations under *The Securities Act*, and 449 registrations under *The Commodity Futures Act*.

Compliance and Oversight

Compliance and Oversight is responsible for monitoring 22 registered Manitoba-headquartered firms for ongoing compliance with securities laws and regulations. These firms include advisers, dealers, investment fund managers and a combination thereof.



As the primary regulator for ICE Futures Canada and ICE Clear Canada, Compliance and Oversight has responsibility for developing and implementing an ongoing compliance program. They are also involved in oversight of other self regulatory organizations, clearing agencies, trade repositories and other entities involved in securities and derivatives markets within Manitoba.



PRIDE

Manolo Mabini, Investigator

“I was a lawyer and accountant with the Philippine Senate, Audit Commission, and Ombudsman for 25 years. When we came to Canada, I told my wife I wanted to continue my career in service to Manitoba.”

REAL ESTATE



There were **2,341 Real Estate Agents** registered under *The Real Estate Brokers Act*, as well as **398 Mortgage Brokers** registered under *The Mortgage Brokers Act*.



MSC's Real Estate Division maintains a strong relationship with Manitoba industry boards as well as other provincial jurisdictions at a national level. These relationships continuously work on a

collaborative basis to enhance expectations for delivery of educational and industry practicing standards. Efforts to build higher industry standards further strengthen our public protection mandate.

FIRB

There are **34 Credit Unions** 




registered with the Financial Institutions Regulations Branch,

— and **one Caisse Populaire** 

These institutions hold **\$27.6 Billion in Assets**



In the reporting year, Manitoba had **15,675** licensed insurance brokers, adjusters, and agents. Also, more than **525,000** Manitobans were active members of a co-op.



PURPOSE

Ashlee Nadeau, Real Estate Registration Clerk
 "It's the individuals I work with that make it easy to get out of bed in the morning. During four years of experience and friendships here, I've grown with the Agency and I've grown as a person."

Manitoba Financial Services Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the year ended March 31, 2016



Originally designed by Métis leader Cuthbert Grant, Grant's Old Mill on Sturgeon Creek was the first water mill built west of the Great Lakes. It was fully reconstructed and reopened as a museum in 1975.

Management's Discussion and Analysis

Financial Discussion

The following is a discussion and analysis for the operating results of the Manitoba Financial Services Agency (SOA) for the year ended March 31, 2016. It should be read in conjunction with the Agency's audited financial statements.

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

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

Operation Results

Net Income

Net income for the year ended March 31, 2016 was \$2.5 million, an increase over the prior year by \$572,000. Revenues of \$19.4 million exceeded budget by \$2.4 million. Expenses of \$5.2 million came in under budget by \$1.03 million. The net result was net income exceeded budgeted net loss of (983,000) by \$3.4 million.

Revenue

The Agency exceeded its revenue targets by \$2.4 million or 14% because of increased market activity. This year's revenue totaled \$19.4 million, as compared to last year's total of \$18.7 million.

(in thousands)	2016	% of total	2015	% of total	2016 % increase/ decrease from 2015
Corporate finance fees	\$11,319	58%	\$10,290	55%	10%
Registration fees	5,627	29%	5,528	29%	1.8%
Legal fees	92	-	518	3%	(463)%
Real estate fees	510	3%	518	3%	(1.6)%
Investment income	117	1%	172	1%	(47)%
Miscellaneous income	15	-	18	-	(20)%
FIRB fees	1,738	9%	1,683	9%	3.3%
	\$19,418	100%	\$18,727	100%	3.7%

Revenue (continued)

Corporate finance fees and registration fees accounted for 87% of the Agency’s 2016 revenues. Corporate finance fees are made up of prospectus fees and fees related to filings such as financial statements, annual information forms and rights offerings. Registration Fees are comprised of fees for registration of advisors, dealers and representatives. FIRB fees consist of Insurance fees, Coop/Credit Union Regulation Fees and Trust and Loan Fees.

Expenses

Overall, total expenses for fiscal year 2016 were \$5.16 million, a 2.4% increase over fiscal year 2015 (\$5.04 million).

(in thousands)	2016	% of total	2015	% of total	2016 % increase/ decrease from 2015
Salaries and benefits	\$3,756	73%	\$3,661	73%	2.6%
Operating expenses*	1,372	27%	1,357	27%	1.1%
Amortization	27	-	18	-	50%
	\$5,155	100%	\$5,036	100%	2.4%

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

Total expenses were \$1.03 million (20%) below budget. Variances in salaries and benefits and operating expenses are explained below.

Salaries and Benefits

Overall, salaries and benefits increased by 2.6% or \$95,000 over the previous year. For the fiscal year ending March 31, 2016, salaries and benefits were 14% below budget due to four vacancies and the impact of the Voluntary Reduced Work Week program.

Operating Expenses

Operating expenses for the fiscal year were 1.1% higher than last year and were under budget by \$431,000 or 24% primarily due to:

- CSA Initiatives – under budget by \$15,000 due to lower than expected expenditures for national initiatives.

Operating Expenses (continued)

- Contract Services – under budget by \$106,000 due to lower than expected website development costs and government records storage costs.
- Education Initiatives – under budget by \$124,000 due to timing of initiatives.
- Office Materials and Supplies – under budget by \$58,000 due to lower than expected publishing and printing costs.
- Professional Services – under budget by \$23,000 due to lower than expected consulting costs.
- Staff Development & Professional Dues – under budget by \$59,000 due to lower than expected membership fees.
- Travel – under budget by \$43,000 due to the timing of conferences.

Capital Expenditures

Capital expenditures for the 2015-2016 fiscal year were NIL.

Liabilities

Accrued liabilities were \$194,000 for the year ending March 31, 2016 (March 31, 2015 - \$97,000). This balance represents accrued vendor obligations. Accrued vacation and severance liabilities were \$301,000 and \$454,000 respectively as at March 31, 2016 (March 31, 2015 - \$306,000 and \$400,000). Accrued salaries and benefits were \$227,000 for the year ending March 31, 2016 compared to \$92,000 at March 31, 2015. Public Sector Accounting Standards require the recognition of a liability for sick pay benefit obligations that accumulate but do not vest. The Agency has not recorded an accrued sick pay benefit obligation as it has been determined to be immaterial.

Transfer of Funds to the Province of Manitoba

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

Liquidity

Liquidity can be defined as an organization's 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 \$23 million as of March 31, 2016 and has access to a working capital advance of \$500,000 with the Special Operating Agencies Financing Authority.

The portfolio investment of \$269,000 is valued at cost and represents an investment held with the Province of Manitoba in a trust account earning a market rate of interest. The investment is to be utilized to repay employee vacation and severance balances which existed at the time the Commission became a Special Operating Agency.

As at March 31, 2016 the Agency has \$750,000 in its reserve fund to finance extraordinary expenses that are regulatory in nature and for unexpected changes in market activity that have a negative effect on revenues. These funds are invested with the Province of Manitoba Treasury Division and allow the Agency the flexibility to access these funds when needed.

2016/17 Outlook

For the fiscal year ending March 31, 2017, the Agency has budgeted revenue of \$18 million and budgeted expenses of \$6.2 million. Transfers to the Province of Manitoba for the fiscal year 2016-17 are set at \$11.8 million with an additional payment of \$5 million in the first quarter of the fiscal year.

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



Information Technology

As of March 31, 2016, the Agency had the following internal systems in place:

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

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 national 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.

The Agency uses Request Tracker to track the various changes that are requested for MSCIS 2.0.

Manitoba Financial Services Agency

FINANCIAL STATEMENTS

for the year ended March 31, 2016



- 30. Management's Responsibility for Financial Reporting
- 31. Independent Auditor's Report
- 33. Financial Statements
- 37. Notes to Financial Statements
- 46. Schedule of Operating Income
(Unaudited)

Opened in 1909, Assiniboine Park was partly designed by Montreal landscape architect Frederick Todd. The iconic Pavillion, reflected in the Riley Duck Pond, was built in 1930 to replace an earlier version destroyed by fire.



Management's Responsibility for Financial Reporting

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

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

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

On behalf of Management,

Manitoba Financial Services Agency

Original Signed by Don Murray

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

May 18, 2016

Original Signed by Marlene Nemes

Marlene Nemes, CPA, CMA
Deputy Director,
Finance and Administration



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Independent Auditor's Report

To The Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the MANITOBA FINANCIAL SERVICES AGENCY which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

Independent Auditor's Report (continued)

the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the MANITOBA FINANCIAL SERVICES AGENCY as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules or exhibits on pages 46 - 47 of the MANITOBA FINANCIAL SERVICES AGENCY's financial statements.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 18, 2016

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Manitoba Financial Services Agency

Statement of Financial Position (in thousands)

	2016	2015
March 31		
Financial Assets		
Cash and cash equivalents (Note 5)	\$23,058	\$20,384
Accounts receivable (Note 6)	26	41
Portfolio investments	1,019	1,019
	<u>24,103</u>	<u>21,444</u>
Liabilities		
Accounts payable and accrued liabilities	194	97
Accrued vacation entitlements	301	306
Accrued salaries and benefits	227	92
Employee future benefits (Note 7)	454	400
	<u>1,176</u>	<u>895</u>
Net Financial Assets	<u>22,927</u>	<u>20,549</u>
Non-financial Assets		
Tangible capital assets (Note 8)	98	125
Prepaid expenses	166	54
	<u>264</u>	<u>179</u>
Accumulated surplus	<u>\$23,191</u>	<u>\$20,728</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)

	2016 Budget	2016 Actual	2015 Actual
For the year ended March 31			
Revenue			
Fees	\$16,916	\$19,286	\$18,537
Interest	84	117	172
Miscellaneous	-	15	18
	<u>17,000</u>	<u>19,418</u>	<u>18,727</u>
Expenses			
Amortization - capital assets	25	27	18
CSA initiatives*	86	71	65
Contract services	352	246	301
Education / Information initiatives	197	73	79
Miscellaneous	28	26	21
Office materials and supplies	123	65	75
Premises	531	536	458
Professional services	143	120	143
Research resources	54	54	43
Salaries and benefits	4,355	3,756	3,661
Staff development and professional dues	100	41	28
Telecommunications	83	77	83
Travel	106	63	61
	<u>6,183</u>	<u>5,155</u>	<u>5,036</u>
Annual operating surplus	<u>10,817</u>	<u>14,263</u>	<u>13,691</u>
Transfer to Province of Manitoba (Note 11)	<u>11,800</u>	<u>11,800</u>	<u>11,800</u>
Annual surplus (deficit)	<u>(983)</u>	<u>2,463</u>	<u>1,891</u>
Accumulated surplus, beginning of year	<u>17,927</u>	<u>20,728</u>	<u>18,837</u>
Accumulated surplus, end of year	<u>\$16,944</u>	<u>\$23,191</u>	<u>\$20,728</u>

*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)

	2016 Budget	2016 Actual	2015 Actual
For the year ended March 31			
Annual surplus (deficit)	(\$983)	\$2,463	\$1,891
Tangible Capital Assets			
Acquisition of tangible capital assets	-	-	(116)
Amortization of tangible capital assets	25	27	18
Net change in tangible capital assets	25	27	(98)
Other Non-financial Assets			
Increase in prepaid expense	-	(112)	(3)
Net acquisition of other non-financial assets	-	(112)	(3)
(Decrease) increase in net financial assets	(958)	2,378	1,790
Net financial assets, beginning of year	20,549	20,549	18,759
Net financial assets, end of year	\$19,591	\$22,927	\$20,549

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

Manitoba Financial Services Agency

Statement of Cash Flows (in thousands)

	2016	2015
For the year ended March 31		
Cash provided by (applied to):		
Cash Flows from Operating Activities		
Annual surplus	\$2,463	\$1,891
Amortization of tangible capital assets	27	18
	2,490	1,909
Changes in non-cash working capital balances		
Accounts receivable	15	37
Prepaid expenses	(112)	(3)
Accounts payable and accrued liabilities	97	7
Accrued vacation entitlements	(5)	(28)
Accrued salaries and benefits	135	5
Deferred revenue	-	(15)
Employee future benefits	54	(51)
	2,674	1,861
Cash Flows from Capital Activities		
Acquisition of capital assets	-	(116)
Increase in cash and cash equivalents	2,674	1,745
Cash and cash equivalents, beginning of year	20,384	18,639
Cash and cash equivalents, end of year	\$23,058	\$20,384
Supplementary Information:		
Interest received	\$120	\$172

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

1. Nature of Organization

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

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

Treasury Board Secretariat issued a Program Portfolio Management Review (PPMR) Minute on September 22, 2012 which approved the transfer of the Financial Institutions Regulation Branch (FIRB) of the Department of Finance to the Manitoba Securities Commission a Special Operating Agency (SOA), effective October 1, 2012. Since that date, the SOA has been operating as the Manitoba Financial Services Agency (“Agency”).

This change was subsequently reflected in Regulation 29/2013, which provides an updated listing of the special operating agencies, including the merger of Manitoba Securities Commission and FIRB. As well, it was reflected in the background to the Order in Council 77/2013.

2. Basis of Accounting

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

3. Significant Accounting Policies

Revenue

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

Expenses

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

Financial Assets

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

Liabilities

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

Non-financial Assets

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

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

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

Measurement Uncertainty

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

4. Financial Instruments and Financial Risk Management

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

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

The Agency records its financial assets 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 rate risk; and foreign currency risk.

Credit Risk

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

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

	2016	2015
Cash and cash equivalents	\$23,058	\$20,384
Accounts receivable	26	41
Portfolio investments	1,019	1,019
	\$24,103	\$21,444

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

Accounts receivable: The Agency is not exposed to significant credit risk as receivables consist of accrued interest owing from the Province of Manitoba and trade amounts owed primarily from other entities within the Government of the Province of Manitoba and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management’s estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Management has determined that no allowance for doubtful accounts is required as at March 31, 2016 (Nil in 2015).

Liquidity Risk

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

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

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency’s income or the fair values of its financial instruments. The significant market risk the Agency is exposed to is interest rate risk.

Interest Rate Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

Manitoba Financial Services Agency

Notes to Financial Statements (in thousands) for the year ended March 31, 2016

5. Cash and Cash Equivalents

The Agency invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of ninety day callable term deposits.

6. Accounts Receivable

	2016	2015
Accrued Interest	\$16	\$19
Trade	10	22
	\$26	\$41

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 2016 was \$222 (\$207 in 2015). Under this Agreement, the Agency has no further pension liability.

Severance Benefits

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

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. The special

Manitoba Financial Services Agency

Notes to Financial Statements (in thousands) for the year ended March 31, 2016

operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2016 is \$454 (\$400 in 2015). The actuarial loss of \$47 based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit obligation were:

Annual rate of return:

Inflation component	2.00 %
Real rate of return	4.00 %
	6.00 %

Assumed salary increase rate:

Annual productivity increase	1.00 %
Annual general salary increase	2.75 %
	3.75 %

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

	2016	2015
Accrued benefit liability		
Balance, beginning of year	\$447	\$483
Actuarial loss	-	20
Benefits accrued	23	23
Interest on accrued benefits	27	30
Severance paid	-	(109)
Balance, end of year	497	447
Less unamortized actuarial losses	(43)	(47)
Service benefit liability	\$454	\$400

Manitoba Financial Services Agency

Notes to Financial Statements (in thousands) for the year ended March 31, 2016

7. Employee Future Benefits (continued)

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

	2016	2015
Interest on obligation	\$27	\$30
Current period benefit cost	23	23
Amortization of actuarial losses over EARSL	4	4
Total expense related to severance benefit	\$54	\$57

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

8. Tangible Capital Assets

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

Manitoba Financial Services Agency

Notes to Financial Statements (in thousands) for the year ended March 31, 2016

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	\$42	\$19	-	\$61
Furniture and fixtures	160	61	-	221
Leasehold improvements	41	33	-	74
Computer hardware	143	-	-	143
Computer software	866	3	-	869
	1,252	116	-	1,368
Accumulated Amortization				
Office equipment	40	3	-	43
Furniture and fixtures	153	7	-	160
Leasehold improvements	27	6	-	33
Computer hardware	141	1	-	142
Computer software	864	1	-	865
	1,225	18	-	1,243
Net book value	\$27	\$98	-	\$125

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 2015) of its portfolio investments as designated assets for the following purposes:

The Agency maintains separate deposits of \$750 (\$750 in 2015) to fund expenses which may arise with respect to its reserve fund. The Reserve Fund was established to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature and for changes in market activity that have a negative effect on revenues.

The Agency has received \$269 (\$269 in 2015) of cash from the Province of Manitoba for the purpose of settling certain of its vacation and severance liabilities in the future. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. The principal of this note is re-invested annually and the interest is deposited in the Agency's trust account.

Manitoba Financial Services Agency

Notes to Financial Statements (in thousands) for the year ended March 31, 2016

10. Commitments

The Agency has entered into a lease agreement commencing October 1, 2005 for rental of facilities at 400 St. Mary Avenue, which expires September 30, 2020.

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

Minimum annual lease payments for these agreements total \$526 per year for each of the next five years.

11. Transfer to the Province of Manitoba

Payments to the Consolidated Revenue Fund of the Province of Manitoba are set annually according to Treasury Board Directives, and paid in quarterly installments. Total transfers for the current year were \$11,800 (\$11,800 in 2015). The Treasury Board has approved payments of \$11,800 for the year ended March 31, 2016.

12. Contingency

The Commission has been named as defendant in one complaint. At the time of preparation of these financial statements, the outcome of this complaint was undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

13. Working Capital Advances

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advance of \$500 which was unutilized at March 31, 2016 (\$500 in 2015).

The Agency incurred no interest charges during the year (Nil in 2015).

Manitoba Financial Services Agency

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

	2016 Budget	2016 Actual	2015 Actual
For the year ended March 31			
Revenue			
Fees	\$15,262	\$17,548	\$16,854
Interest	84	117	172
Miscellaneous	-	1	1
	15,346	17,666	17,027
Expenses			
Amortization - capital assets	25	27	18
CSA initiatives*	86	71	65
Contract services	314	215	264
Education / information initiatives	197	70	79
Miscellaneous	27	23	18
Office materials and supplies	112	57	61
Premises	406	442	376
Professional membership and dues	75	23	15
Professional services	127	51	126
Research resources	53	52	42
Salaries and benefits	3,558	3,060	2,962
Staff development and professional dues	19	16	11
Telecommunications	70	65	70
Travel	95	61	52
	5,164	4,233	4,159
Annual operating surplus	\$10,182	\$13,433	\$12,868

*Canadian Securities Administrators

Manitoba Financial Services Agency

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

	2016 Budget	2016 Actual	2015 Actual
For the year ended March 31			
Revenue			
Fees	\$1,654	\$1,738	\$1,683
Miscellaneous	-	14	17
	1,654	1,752	1,700
Expenses			
Contract services	38	31	37
Miscellaneous	1	3	3
Office materials and supplies	11	12	14
Premises	125	94	82
Professional services	16	69	17
Research resources	1	1	1
Salaries and benefits	797	696	699
Staff development and professional dues	6	2	2
Telecommunications	13	12	13
Travel	11	2	9
	1,019	922	877
Annual Operating Surplus	\$635	\$830	\$823

PURPOSE

Lorraine Hacault, Compliance Clerk

“Over 14 years, I’ve worked in Compliance, Investigations, Legal, and for the Chair. I’ve enjoyed the people the most—very conscientious and hard-working. It’s the people, above all.”

**Retired July 14, 2016.*

Manitoba Financial Services Agency

AGENCY STATISTICS

for the year ended March 31, 2016



Built by Hudson's Bay Company Governor George Simpson in 1830, Lower Fort Garry has served as a supply depot, a jail, a mental hospital, and a country club. Today, visitors can glimpse what life was like in the 1850s.

Securities Statistics

	2015/16	2014/15	2013/14
Registrations			
Registrations Under <i>The Securities Act</i>	20,659	20,367	20,012
Registrations Under <i>The Commodity Futures Act</i>	449	411	421
Filings Processed			
Prospectuses Filed	593	684	705
Issuers Included in Prospectuses	4,027	3,982	4,000
Amendments and Supplements	1,927	1,615	1,380
Rights Offerings	8	12	6
Private Placement and Exempt Offerings			
45-106F1 Capital Raising Forms*	1,174	1,198	1,230
Offering Memorandums	67	75	89
Private Placements	0	0	0
Exemptions and Orders			
Exemption Orders	12	14	8
Investigation Orders	4	3	0
Take-Over Bid Orders	1	0	0
Insider Reporting Orders	0	0	0
Financial Reporting Orders	76	64	83
Cease Trade Orders**	113	67	96
Miscellaneous Orders	73	54	93
Hearing Orders			
Notices of Hearing Issued	57	33	55
Statements of Allegations Issued	0	7	4
Orders Filed	72	8	8
Reciprocal Orders Filed	67	28	71
Settlement Agreements Completed	0	2	0
Decision Documents Published	4	3	1
Completed Provincial Court Hearings	1	0	0
Pending Provincial Court Hearings	1	1	1
Completed Queen's Bench Hearings	0	3	1
Pending Queen's Bench Hearings	0	0	0
Complaints and Inquiries			
Investigation and Enforcement Inquiries	248	315	394
Investigation Files Opened	29	2	25

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

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

Real Estate Statistics

	2015/16	2014/15	2013/14
Registrations			
Registrations Under <i>The Real Estate Brokers Act</i>	2,341	2,370	2,812
Registrations Under <i>The Mortgage Brokers Act</i>	398	358	418
Education			
Old Phase Pre-Licensing Education Enrolments	190	91	726
New Module Pre-Licensing Education Enrolments	777	958	147
Re-Licensing Education Completions	2,250	2,207	2,186
Financial Filings and Compliance Audits			
Registered Broker Reports Reviewed	414	402	457
Final Close-Out Reports Reviewed	19	18	17
Brokers Suspended for Failure to File	0	2	0
Investigations and Enforcement			
Formal Investigations*	13	62	68
Complaints Resulting in a Warning or Reprimand	7	11	6
Complaints Resulting in Further Action by MSC	2	5	2
Interest Earned on Broker Trust Accounts (In Thousands)			
Interest Earned	168	190	-
Disbursements to MREA	(153)	190	-
RESA Information Seminars	40	-	-
Property Management Courses	58	-	-
Real Estate Practice in Manitoba Update	35	-	-
Real Estate Forms	30	-	-
Real Property Law Course Update	10	-	-
Commercial Course Update	26	-	-
Housing Opportunity Partnership	10	-	-
Total Disbursements to MREA	153	190	-
Funds Held in Trust by MREA	56	-	-
Disbursement to the Minister of Finance	(15)	5	-
Balance Remaining After Disbursement to MREA	0	0	-
Unclaimed Trust Account Funds (In Thousands)			
Balance Forwarded at April 1, 2015	25	25	-
Received During the Fiscal Year	18	5	-
Sub-Total	43	30	-
Disbursement to the Minister of Finance	(18)	5	-
Residual Balance (Minimum Reserve)	25	25	-

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

Financial Institutions Regulation Branch Statistics

	2015/16	2014/15	2013/14
Insurance Sector			
Special Insurance Broker Licences	9	5	4
Accident, Baggage and Miscellaneous Licensees	0*	670	683
Hail Agent and Adjuster Licensees	0*	241	240
Complaint Files Opened	40	58	58
Complaint Files Closed	36	51	68
Complaint Files in Progress	16	12	5
Insurance Council of Manitoba			
Examinations for Agents, Brokers, and Adjusters	1,012	697	669
Pass Rate	63%	69%	65%
Successful Applications	642	484	433
Agent, Broker, and Adjuster Licences Issued	15,675	13,294	12,363
Complaint Files Against Agents, Brokers, Adjusters Opened	126	100	83
Complaint Files Against Agents, Brokers, Adjusters Closed	117	104	99
Presented to Council for Decision	16	29	18
Appealed Decisions	0	2	1
Complaint Files Against Agents, Brokers, Adjusters in Progress	26	19	21
Credit Union Sector			
Credit Unions in Manitoba	34	36	37
Caisse Populaires in Manitoba	1	1	1
Combined Assets (Billions)	\$27.6	\$25.3	\$23.9
Member Deposits (Billions)	\$25.4	\$23.5	\$22.2
Member Equity (Billions)	\$1.7	\$1.6	\$1.5
Co-operatives Sector			
Co-operatives in Manitoba	348	348	355
Housing Co-operatives	60	59	59
Consumer Co-operatives	53	53	58
Active Members(Thousands)	525+	500+	442+
New Incorporated Co-operatives	11	13	6
Dissolved Co-operatives	14	19	7
Revived Co-operatives	3	0	0
Securities Offering Documents Approved	2	2	1

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

Performance Reporting and Service Standards

Performance Measurement

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

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

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

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

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

Qualitative measurements don't rely on concrete figures, but are still valid indicators of objectives the MFSA has fulfilled. For example, MSC works collaboratively with

other regulators and stakeholders such as the Winnipeg Police Service, which MSC partnered with to better deliver fraud protection information to the public. This dovetails with a goal to continue to develop and enhance the *Recognize Investment Fraud* campaign, with increased activity during Investor Education Month (Oct) and Financial Literacy Month (Nov). MSC's Investigations and Communications areas have also worked to improve Investor Alert Protocol, to increase the number, clarity, and quality of alerts issued annually—improving public protection and decreasing losses from investment scams.

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

As in previous years, MFSA has generally met the performance goals set, particularly in areas where quantitative targets were laid out. In the few areas where goals

were not met during the fiscal year, valid reasons were given and the goals were re-evaluated for completion during the subsequent planning cycle.

Service Standards

Service standards in operation include reviewing applications and delivering decisions following administrative hearings, issuing comment letters for prospectus filings within Passport guidelines, and meeting the CSA's continuous disclosure review targets.

In an effort to uphold these standards, MFSA has worked to include staff from all divisions and areas on local and national committees. We also work in cooperation with our colleagues including IIROC, MFDA, MREA, CUPSA, MBFLF, and others.* This participation ensures our team is well-connected to industry developments, large and small.

Service Standards also include development and delivery of programs and resources. This year, Corporate Finance improved

*See Page 8 for a more complete list.



PRIDE

Patrick Durham, 2016 Legal Intern

"The MSC has proven to be a great working and learning environment. The experiences I've gained will have a lasting benefit on my education and future career. I'm thankful for the opportunity."

Sustainable Development

Service Standards (continued)

functionality to process and analyze exempt market filings on SEDAR in a more timely manner. Compliance continues to work with CSA on an OTC derivatives regulatory framework.

When reviewing prospectuses as the principal regulator, staff ensures all Passport standards for reviewing and commenting on preliminary long form and short form prospectuses, as well as amendments are met.

This includes:

1. Reviewing preliminary long form prospectuses and issuing a comment letter within 10 working days.
2. Reviewing preliminary short form or shelf prospectus and issuing a comment letter within three working days.
3. Reviewing amendments to preliminary long form prospectus and issuing comments within five working days.

4. Reviewing amendments to preliminary short form prospectus and issuing comments within two working days.

5. Reviewing final amendments to long form prospectus within three working days, or two days for short form prospectuses.

With respect to continuous disclosure reviews, staff ensures Manitoba meets the annual targets established by the CSA's continuous disclosure review program.

Public Interest Disclosure Act

Whistleblower Protection

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

Wrongdoing under the Act may be:

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

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

A disclosure made by an employee in good faith in accordance with the Act and with a reasonable belief that wrongdoing has been, or is about to be committed, is considered to be a disclosure under the Act, whether or not the subject matter constitutes wrongdoing. All disclosures receive careful and thorough review to determine if action is required under the Act, and must be reported in a department's annual report in accordance with Section 18 of the Act.

Sustainable Development

The Sustainable Development Act was enacted in 1997 for the purpose of promoting and implementing sustainable development in the provincial public sector, private industry and society in general. Principles and guidelines have been developed to assist departments and agencies in instituting objectives, integrating them into operations and reporting on their development.

Operating in an office environment, the MFSA practices recycling and procures a variety of recycled items, including paper products, batteries, and other office materials. The MFSA maintains a continuous and balanced sustainable development process.

The MFSA remains committed to sustainable development.



The following is a summary of disclosures received by the MFSA for the fiscal year 2015/16. (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**

The MFSA consults with certain Committees and Regulatory Bodies

Real Estate Advisory Council

This council represents a non-statutory advisory body established by the MSC and the Manitoba Real Estate Association. Its mandate is to advise and make recommendations to the MSC and MREA on real estate issues, review mutually beneficial ideas and give advance notice of trends arising in the real estate industry.

Claude Davis (Chair)
Royal LePage Dynamic Real Estate

Michael Barrett
Century 21 Westman

Tom Fulton
RE/MAX Performance

Robert Giesbrecht
Canadian Condominium Institute, Manitoba Chapter

Terry Kirkham
The Manitoba Securities Commission

David Powell
Powell Property Group

Ron Tardiff
Trinkl Realty Ltd.

Robert L. Tyler
Manitoba Bar Association

David Salvatore
Manitoba Real Estate Association

Frank Koch-Shulte
Professional Property Managers Association

Real Estate Advisory Committee

This committee reviews and recommends projects to the MSC to fund using the interest that the agency receives from real estate brokers' trust accounts.

Ray Brownlee (Chair)
Century 21 Westman

Cliff King
RE/MAX Executives Realty

John Neufeld
Public Member

Shirley Przybyl
Century 21 Bachman & Associates

Ute Vann
Royal LePage Dynamic Real Estate

Deposit Guarantee Corporation of Manitoba

DGCM was created to guarantee the deposits of credit unions and caisses populaires and promote the development of sound financial practices that protect against financial loss. FIRB has oversight responsibility for DGCM and works closely with its management. A seven-person board of directors, appointed by the Lieutenant Governor in Council of Manitoba, oversees DGCM.

Bryan Rempel (Chair)
Paul Gilmore (Vice-Chair)
Chuck Golfman
Dale Ward
Monica Girouard
Brian Mayes
Robert Jones

Insurance Council of Manitoba

ICM operates under the delegated authority of the Superintendent of Insurance to provide licensing and regulatory oversight of insurance agents, brokers and adjusters. Council members are appointed by the Minister of Finance.

Life Insurance Council

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

General Insurance Council

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

Insurance Adjusters Council

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



ABOUT THE PHOTOGRAPHY

The cover photo and interior landscape photographs in this report were provided by Director and General Counsel, Chris Besko.

We are proud to showcase our city through the talents of our friend and colleague.



MFSA STATUTES

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

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

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

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

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

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

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

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

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



PROTECTION

**Djemal Halilagic, Ellen Mullally, Kostas Katsiroubas,
Financial Services Officers**

“It’s an enriching environment. We work together and learn from each other through our diverse experiences—personal, professional, and educational.

We’re a part of a strong framework in which Manitobans can feel confident.”



Cover: Opened to pedestrians in 2003, the landmark Esplanade Riel is a side-spar cable-stayed bridge named in honour of Louis Riel. Designed by engineer Colin Douglas Stewart and architect Étienne Gaboury, it is the only bridge in North America with a restaurant.

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THE MANITOBA
SECURITIES
COMMISSION



FINANCIAL
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