

Update from MSC

What's New

Chris Besko

Executive Director

The Manitoba Securities Commission



What's new

- The Manitoba Financial Services Agency
 - Securities Commission
 - Financial Institutions Regulation Branch
 - Pension Commission
- Real Estate Services Act
- Commission Legal Counsel



Canadian Investment Regulatory Organization

- Combination of IIROC and the MFDA as of June 1, 2023
- New Recognition Order (Order No. 7601 issues May 11, 2023)
- Transition Matters



Decisions of Note

- Women's Equity Lab (Manitoba 1) LP
 - Local relief expanding Community Based Offerings policy
- SciMar Ltd
 - Relief for exempt distributions by means of the Offering Memorandum exemption in Manitoba and Regulation A in the US.



Possible New Exemptions

- Self-Certified Investor
- Distributions Out of the jurisdiction
- International Dealer/Adviser equivalents under *The Commodity Futures Act*



Crypto Asset Platforms

- CTP Taskforce
- [CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets*](#)
- [CSA Staff Notice 21-332 *Crypto Asset Trading Platforms: Pre-Registration Undertakings Changes to Enhance Canadian Investor Protection*](#)
- [CSA Staff Notice 21-333 *Crypto Asset Trading Platforms: Terms and Conditions for Trading Value-Referenced Crypto Assets with Clients*](#)
- [CSA Staff Notice 81-336 *Guidance on Crypto Asset Investment Funds that are Reporting Issuers*](#)



Compliance Sweep on Conflicts of Interest Practices

The CSA adopted amendments to implement the Client Focused Reforms (CFRs), which made changes to the registrant conduct requirements in order to better align the interests of registrants with the interests of their clients, improve outcomes for clients, and make clearer to clients the nature and the terms of their relationship with registrants.

Under the CFRs conflicts of interest requirements that came into force on June 30, 2021, registrants must take reasonable steps to identify existing and reasonably foreseeable material conflicts of interest, and must address those material conflicts in the best interest of clients. If there is no way to address the material conflicts of interest in the best interest of clients using controls, those conflicts must be avoided. This is an ongoing registrant obligation.



Compliance Sweep on Conflicts of Interest Practices

Registered firms are also required to provide affected clients with disclosure of material conflicts of interest before account opening or in a timely manner if the conflict has not previously been disclosed.

Disclosure alone is not sufficient to address a material conflict of interest in the best interest of clients.

To address a material conflict of interest in the best interest of clients, controls (including pre-trade controls, post-trade reviews etc.) must be used in conjunction with adequate disclosure.



Compliance Sweep on Conflicts of Interest Practices

In conjunction with IIROC and MFDA we conducted a review of 172 firms comprised of dealers and advisers

We recently published the results of our review in a notice dated August 3, 2023 titled [Joint Canadian Securities Administrators / Canadian Investment Regulatory Organization Staff Notice 31-363 Client Focused Reforms: Review of Registrants' Conflicts of Interest Practices and Additional Guidance.](#)



Compliance Sweep on Conflicts of Interest Practices

No deficiencies relating to conflicts of interest were raised for 37 firms. For the remaining firms, compliance deficiencies were identified, and we required each firm to take corrective actions to address the deficiencies raised.



Compliance Sweep on Conflicts of Interest Practices

Common deficiencies identified and the percentage of firms reviewed with the noted deficiencies as observed during the reviews:

- Failure by registrants to identify one or more material conflicts of interest: 34%
- Inadequate controls to address certain material conflicts in the best interest of clients: 28%
- Missing or incomplete disclosure related to material conflicts of interest: 53%
- Inadequate policies and procedures related to conflicts of interest: 66%
- Lack of or inadequate training on conflicts of interest: 17%
- Inadequate conflicts of interest record keeping: under 10%



Compliance Sweep on Conflicts of Interest Practices

We observed that some firms were not familiar with the guidance published in 31-103CP and did not consider the examples of conflicts or controls provided when determining how to address material conflicts of interest in the best interest of their clients. These firms failed to identify certain conflicts of interest, assess them as material conflicts of interest, or implement controls sufficient to address them in the best interest of clients.

The suggested practices identified in this Notice are intended to provide additional guidance on how we expect registrants to comply with the CFRs conflicts of interest requirements.

The suggested practices outlined in the Notice will serve as guidance that we will apply when assessing compliance with these regulatory obligations.



Thank You!

