



**IN THE MATTER OF THE SECURITIES ACT
S.N.B 2004, c. S-5.5 (the "Act")**

AND

**MANULIFE SECURITIES INTERNATIONAL LTD.
PLACEMENTS MANUVIE INTERNATIONAL LTÉE. ("The Respondent")**

ORDER

WHEREAS on 12 January 2005, staff of the New Brunswick Securities Commission (the "Commission") issued a Notice of Hearing in respect of the Respondent;

AND WHEREAS the Respondent entered into a Settlement Agreement dated 11 February 2005 (the "Agreement") in which it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON REVIEWING the Agreement and the Statement of Allegations of Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order

IT IS HEREBY ORDERED THAT:

1. The Agreement, a copy of which is attached to this Order, is hereby approved.
2. The Respondent pay to the Commission by 1 March 2005:
 - 2.1. Pursuant to subsection 186 (1) of the Act, a penalty of \$64,000; and
 - 2.2. Pursuant to subsection 185(2) of the Act, an amount of \$2,000 for the costs of the hearing.

DATED at Saint John, New Brunswick this 15th day of February, 2005.

William D. Aust, Member

Hugh J. Flemming, c.r., membre
Hugh J. Flemming, c.r., membre

Anne W. La Forest, membre
Anne W. La Forest, membre

**IN THE MATTER OF THE *SECURITIES ACT*
S.N.B 2004, c. S-5.5 (the "Act")**

AND

**IN THE MATTER OF
MANULIFE SECURITIES INTERNATIONAL LTD.
PLACEMENTS MANUVIE INTERNATIONALE LTÉE. ("The Respondent")**

SETTLEMENT AGREEMENT

1. INTRODUCTION

- 1.1. The Respondent is registered in New Brunswick as a broker restricted to the distribution of mutual funds;
- 1.2. In the course of a compliance review, Staff of the New Brunswick Securities Commission ("Staff") discovered that the Respondent employed 32 non-resident salespersons who were not registered in New Brunswick, but who had traded on behalf of 33 residents of New Brunswick; and
- 1.3. Assets under management by the Respondent relating to those New Brunswick residents totalled approximately \$1,380,000.

2. STATEMENT OF FACTS

- 2.1. The Respondent acknowledges the following facts as correct:
 - 2.1.1. The Respondent is a body corporate, incorporated under the Canadian Business Corporations Act on 22 July 1993, and registered as Number 2939843;
 - 2.1.2. On 29 July 1993, the Respondent was registered in New Brunswick as an Extra Provincial Corporation under the New Brunswick Business Corporations Act, Certificate # 074319;
 - 2.1.3. On 13 September 1993, the Respondent amended its Extra Provincial Corporation registration to change its name from Manulife Securities International Ltd. / Manuvie Internationale Titre Ltée. to Manulife Securities International Ltd. / Placements Manuvie Internationale Ltée.;
 - 2.1.4. On 21 January 1994, the Respondent was registered with the New Brunswick Securities Commission (the "Commission") under the *Security Frauds Prevention Act* (the "previous Act") as a broker restricted to the

distribution of mutual funds, and has been registered continuously since that date under Certificate # 94-74;

- 2.1.5. On 10 August 2001, Notice No. 7 *Trading by Unregistered Salespersons* was issued by the Administrator of Securities and sent to compliance officers of dealers registered in New Brunswick;
- 2.1.6. On 29 October 2003, the Mutual Fund Dealers Association of Canada ("MFDA") issued Member Regulation Notice MR-0022 *Out of Province Registration*;
- 2.1.7. On 1 July 2004, the Act repealed and replaced the previous Act;
- 2.1.8. Pursuant to subsection 218(1) of the Act, the registration granted to the Respondent under the previous Act is deemed to have been granted under the Act;
- 2.1.9. By permitting non-resident, non-registered salespersons to trade on behalf of New Brunswick clients, in breach of the Act, the Respondent acted contrary to the public interest; and
- 2.1.10. By permitting such unregistered trading, the Respondent has saved registration fees and may have further benefited from the commissions earned on trades executed for its New Brunswick clientele by unregistered representatives.

3. POSITION OF THE RESPONDENT

- 3.1. The Respondent has co-operated with staff throughout the investigation of the activities referred to in Part 2 of this agreement.
- 3.2. The Respondent asserts that having identified issues related to non-registered trading, a program to address this issue was initiated by the Respondent in October 2002, as follows:
 - 3.2.1. A communication was sent to all salespersons outlining the requirement for registration on 15 October 2002;
 - 3.2.2. Throughout 2003 and 2004, the Respondent carried out a program of ensuring appropriate registration of salespersons and/or reassignment of client accounts where necessary; and

- 3.2.3. In December 2004, the Respondent established a New Brunswick House Account for accounts of clients that could not otherwise be serviced by a salesperson registered in New Brunswick. The House Account is serviced by Mark Denney, a New Brunswick registrant.
 - 3.3. As a result of these efforts, the Respondent has ensured that all affected accounts have now been transferred to the House Account or another salesperson registered in New Brunswick.
 - 3.4. The Respondent asserts that no complaints were received from affected account holders with respect to accounts that were serviced by non-registrants.

4. POSITION OF STAFF

- 4.1. Trading by non-resident non-registered salespersons on behalf of New Brunswick residents took place between 1997 and 2004. Some New Brunswick resident accounts were held by non-resident salespersons for that entire period and some for a lesser period; and
- 4.2. The Respondent did not ensure that only salespersons registered in New Brunswick traded on behalf of New Brunswick residents.

5. JOINT SETTLEMENT RECOMMENDATION

- 5.1. Staff agree to recommend settlement in accordance with the terms and conditions set out below:
 - 5.1.1. The Respondent agrees to the settlement based on the facts set out in Part 2 and consents to the making of an order on the basis of those facts; and
 - 5.1.2. This Settlement Agreement will be released to the public only if, and when, the settlement is approved by the Commission.

6. TERMS OF SETTLEMENT

- 6.1. The Respondent undertakes to:
 - 6.1.1. Not make any statement which is inconsistent with the Statement of Facts, after the settlement is approved;
 - 6.1.2. Ensure that no salesperson, sponsored by the Respondent, trades on behalf of New Brunswick residents, without being registered in New Brunswick;
 - 6.1.3. Submit applications by 1 March 2005, for registration of all salespersons who continue to trade on behalf of New Brunswick residents;

- 6.1.4. Submit confirmation by 1 March 2005, of the transfer to a registered salesperson of any client account dealt with by a salesperson that has chosen not to register in New Brunswick;
- 6.1.5. Pursuant to subsection 186(1) of the Act, pay by 1 March 2005, a penalty of \$64,000; and
- 6.1.6. Pursuant to subsection 185(2) of the Act, pay by 1 March 2005, an amount of \$2,000 for the cost of the hearing.

7. STAFF COMMITMENT

7.1. Staff agree to:

- 7.1.1. Not seek suspension, cancellation or any other disciplinary order in respect of the registration of the Respondent, in relation to the facts set out in Part 2;
- 7.1.2. Not take any separate action against the Respondent, any of the unregistered representatives of the Respondent, or any of the company's officers or directors, in relation to the facts set out in Part 2; and
- 7.1.3. Accept and review the application of each non-resident representative on its own merits, separate and apart from any illegal activities identified in this settlement agreement with the Respondent.

8. PROCEDURE FOR APPROVAL OF SETTLEMENT

- 8.1. Upon execution of this agreement by Staff and by the Respondent, Staff will apply to the Commission for an order approving the terms set out herein.
- 8.2. If this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter and the Respondent agrees to waive any right to a hearing and/or appeal with respect to this matter.
- 8.3. If, for any reason whatsoever, this settlement is not approved by the Commission, or the order set forth in Schedule "A" is not made by the Commission:
 - 8.3.1. Staff and the Respondent will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing, unaffected by the Settlement Agreement or the settlement negotiations;
 - 8.3.2. The terms of this agreement will not be referred to in any subsequent proceeding or disclosed to any person, except with the written consent of both Staff and the Respondent or as may be required by law; and
 - 8.3.3. The Respondent further agrees that it will not raise, in any proceeding, the Settlement Agreement or the negotiation or process of approval thereof, as a basis for any attack on the jurisdiction of the Commission,

alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.

9. DISCLOSURE OF SETTLEMENT AGREEMENT

- 9.1. The terms of the Settlement Agreement will be treated as confidential by the parties hereto until approved by the Commission and forever if, for any reason, the Settlement Agreement is not approved by the Commission; and
- 9.2. Any obligation as to confidentiality shall terminate upon the approval of this Settlement Agreement by the Commission and it will become public information.

10. EXECUTION OF SETTLEMENT AGREEMENT

This Settlement Agreement shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

DATED this 11th day of February 2005.

Christina Taylor

STAFF OF THE NEW BRUNSWICK SECURITIES COMMISSION

Bruce E. Norgren

MANULIFE SECURITIES INTERNATIONAL LTD.
PLACEMENTS MANUVIE INTERNATIONAL LTÉE.

Michael D. Nash

MANULIFE SECURITIES INTERNATIONAL LTD.
PLACEMENTS MANUVIE INTERNATIONAL LTÉE.