

IN THE MATTER OF THE *SECURITIES ACT*  
S.N.B. 2004, C. S-5.5

AND

IN THE MATTER OF  
INVESTORS GROUP FINANCIAL SERVICES INC./SERVICES FINANCIERS GROUPE  
INVESTORS INC.

ORDER

**WHEREAS** on January 9, 2006, the New Brunswick Securities Commission (the "Commission") issued a Notice of Hearing and Statement of Allegations pursuant to section 186 of the *Securities Act* (the "Act") in respect of Investors Group Financial Services Inc./Services Financiers Groupe Investors Inc. ("IGFS");

**AND WHEREAS** IGFS entered into a Settlement Agreement (the "Agreement") on January 6, 2006, in which it agreed to a proposed settlement of the matters raised in the Notice of Hearing, subject to the approval of the Commission;

**AND UPON** reviewing the Agreement, the Notice of Hearing, the Statement of Allegations, and upon considering submissions from counsel for LSIL and from staff of the Commission;

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

**IT IS HEREBY ORDERED THAT**, pursuant to s.191 of the Act, the Agreement in this matter dated January 6, 2006, is approved.

DATED at the City of Saint John this 19<sup>th</sup> day of January, 2006.

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"Donne W. Smith "

Donne W. Smith, Chair

\_\_\_\_\_  
"David T. Hashey, Q.C."

David T. Hashey, Q.C., Member NBSC

\_\_\_\_\_  
"William D. Aust"

William D. Aust, Member NBSC

New Brunswick Securities Commission  
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**IN THE MATTER OF THE SECURITIES ACT**

**S.N.B. 2004, C. S-5.5**

**AND**

**IN THE MATTER OF INVESTORS GROUP FINANCIAL SERVICES INC./SERVICES  
FINANCIERS GROUPE INVESTORS INC.**

**SETTLEMENT AGREEMENT**

**1. INTRODUCTION**

1.1 Investors Group Inc. ("IGI") is a diversified financial services firm that carries on business across Canada as, among other things, a manufacturer, manager and distributor of mutual funds.

1.2 Prior to January 1, 2006, IGI carried on its mutual fund dealer business through two dealers, namely Les Services Investors Limitée ("LSIL") in the province of Quebec and Investors Group Financial Services Inc. ("IGFSI") in the rest of Canada.

1.3 Effective January 1, 2006, IGFSI and LSIL were amalgamated ("Amalgamation") under the name "Investors Group Financial Services Inc./Services Financiers Groupe Investors Inc." ("IGFS") pursuant to a Certificate of Amalgamation issued by Industry Canada under the provisions of the Canada Business Corporations Act.

1.4 Prior to the Amalgamation on January 1, 2006:

- (a) LSIL was a financial services firm registered in Québec with the Autorité des marchés financiers ("AMF"). LSIL was not registered in any capacity with the New Brunswick Securities Commission ("Commission");
- (b) IGFSI was registered as a mutual fund dealer with the Commission;
- (c) IGFSI and LSIL had policies ("Non Resident Policies") in place requiring that their respective salespersons ("Consultants") not engage in trades or acts in furtherance of a trade for individuals resident in a province or territory in Canada in which they are not registered.

1.5 IGFS, as successor to both IGFS and LSIL as a result of the Amalgamation, is registered as a mutual fund dealer, or equivalent, across Canada, including with the Commission, and has adopted the Non Resident Policies previously applied by IGFSI and LSIL.

## 2. AGREED STATEMENT OF FACTS

2.1 In the course of an investigation carried out at the request of staff ("Staff") of the Commission arising from the apparent servicing by an LSIL Consultant, who was subsequently terminated by LSIL, of certain individuals who were resident in New Brunswick, LSIL conducted a detailed review ("LSIL Review") of its approximately 182,000 clients.

2.2 In the course of the LSIL Review, LSIL identified 17 non resident Consultants ("Non Resident Consultants"), who were not registered with the Commission, who traded on behalf of a combined total of 54 clients ("New Brunswick Clients") during a period from one to 9 years.

2.3 All of the New Brunswick Clients identified in the course of the LSIL Review are now serviced by Consultants who are registered as salespersons with the Commission.

2.4 LSIL, by permitting Non Resident Consultants who were not registered with the Commission to trade with the New Brunswick Clients in breach of the *New Brunswick Securities Act* ("Act") acted contrary to the public interest.

2.5 LSIL, by permitting, and the Non Resident Consultants, by engaging in the unregistered trading referred to in paragraph 2.4, saved registration fees that would otherwise been payable and benefited from compensation paid on trades executed for New Brunswick Clients.

2.6 The following is a summary of the registration fees that should have been paid to the Commission and the compensation paid in connection with the unregistered trading referred to in paragraph 2.4:

Dealer registration fees:	\$ 7,200
Consultant registration fees:	17,200
Compensation paid to Consultants:	<u>18,310</u>

Total \$42,710

2.7 IGFS and Staff have also agreed upon an interest payment on the amounts referred to in section 2.6, as follows:

Interest on dealer registration fees ( $\$7,200 \times 8\% \times 9$ years):	\$5,184
Interest at 8% on Consultant registration fees while trading occurred:	<u>1,376</u>

Total \$6,560

### **3. POSITION OF STAFF**

3.1 IGFS and LSIL have cooperated with Staff throughout the investigation of the activities referred to in Section 2 of this Agreement and during the process of reaching settlement.

3.2 Non resident, non registered LSIL salespersons dealt with New Brunswick residents between January, 1996 and May, 2005. Some New Brunswick resident accounts were held by non resident salespersons for that entire period and some for a lesser period.

3.3 LSIL failed to prevent unregistered salespersons from trading with New Brunswick residents.

### **4. JOINT SETTLEMENT RECOMMENDATION**

4.1 Staff agrees to recommend settlement in accordance with the terms and conditions set out below:

4.1.1 IGFS agrees to the settlement based on the facts set out in Section 2 above and consents to the making of an order on the basis of those facts.

4.1.2 This Settlement Agreement will be released to the public only if and when the settlement is approved by the Commission.

### **5. TERMS OF SETTLEMENT**

5.1 IGFS undertakes to:

5.1.1 Not make any statement which is inconsistent with the Agreed Statement of Facts, after the settlement is approved.

5.1.2 Monitor and enforce compliance with its Non Resident Policies to ensure that no Consultants trade on behalf of New Brunswick residents without being registered with the Commission.

5.1.3 Pursuant to subsection 186(1) of the Act, pay within 15 days after the date this settlement is approved a penalty of \$63,220 to the Commission, which includes the amounts referred to in paragraphs 2.6 and 2.7 above.

5.1.4 Pursuant to subsection 185(1) of the Act, pay within 15 days after the date this settlement is approved the sum of \$5,000 to the Commission for the costs of the investigation.

## **6. STAFF COMMITMENT**

6.1 Staff agrees to:

6.1.1 Not seek suspension or cancellation of registration or any other disciplinary order in respect of the registration of IGFS in relation to the facts set out in Section 2.

6.1.2 Not take any separate action against IGFS or any of the unregistered Consultants of its predecessor LSIL, with the exception of the Consultant referred to in paragraph 2.1 above, or any of IGFS's officers or directors or its predecessor LSIL's former officers or directors in relation to the facts set out in Section 2.

6.1.3 Accept and review the application of each non-resident representative on its own merits, separate and apart from any activities identified in this Settlement Agreement.

## **7. PROCEDURE FOR APPROVAL OF SETTLEMENT**

7.1 Upon execution of the agreement by Staff and by IGFS, Staff will apply to the Commission for an order in the form set out in Schedule "A" approving the terms set out herein.

7.2 If this Settlement Agreement is approved by the Commission it will constitute the entirety of the evidence to be submitted respecting IGFS in this matter and IGFS agrees to waive any right to a hearing and/or appeal with respect to this matter.

7.3 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:

7.3.1 Staff and IGFS will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing, unaffected by this Settlement Agreement or the settlement discussions and negotiations;

7.3.2 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 IGFS or as may be required by law.

7.3.3 IGFS 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.

**8. DISCLOSURE OF SETTLEMENT AGREEMENT**

8.1 The terms of the Settlement Agreement will be treated as confidential by the parties until approved by the Commission and forever if, for any reason, this Settlement Agreement is not approved by the Commission.

8.2. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission and it will become public information.


**9. EXECUTION OF SETTLEMENT AGREEMENT**

9.1 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 day <sup>7<sup>th</sup></sup> 12 of January, 2006.**

INVESTORS GROUP FINANCIAL SERVICES INC.

Per:   
Kevin Regan, President

Per:   
Donald MacDonald, Vice-President, Counsel & Assistant Secretary

**DATED this day 6<sup>th</sup> of January, 2006.**

STAFF OF THE NEW BRUNSWICK SECURITIES COMMISSION

Per: 