

**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.**

**STATEMENT OF ALLEGATIONS OF STAFF
OF THE NEW BRUNSWICK SECURITIES COMMISSION**

Staff of the New Brunswick Securities Commission ("Staff") make the following allegations:

THE RESPONDENT

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.
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.
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.
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.
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.

THE ACTIVITIES

6. In engaging in the conduct described below, LSIL has acted contrary to the Act and the public interest.
7. LSIL traded in securities in New Brunswick without being registered, contrary to section 45 of the Act. LSIL permitted its consultants to engage in the business of trading in securities in New Brunswick.
8. In the course of an investigation carried out at the request of 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.
9. 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.
10. 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.
11. 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.
12. LSIL, by permitting, and the Non Resident Consultants, by engaging in the unregistered trading referred to in paragraph 11 saved registration fees that would otherwise been payable and benefited from compensation paid on trades executed for New Brunswick Clients.
13. 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 11:

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

Total \$42,710

14. IGFS and Staff have also agreed upon an interest payment on the amounts referred to in paragraph 13, as follows:

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

Total \$6,560

CONDUCT CONTRARY TO THE PUBLIC INTEREST

15. Section 45 of the Act states that:

45 Unless exempted under this Act or the regulations, no person shall

- (a) trade in a security or act as an underwriter unless the person is registered as a dealer, or is registered as a salesperson, as a partner or as an officer of a registered dealer and is acting on behalf of the dealer, or
- (b) act as an adviser unless the person is registered as an adviser, or is registered as a representative, as a partner or as an officer of a registered adviser and is acting on behalf of the adviser.

16. By permitting non-resident, non-registered consultants to trade on behalf of New Brunswick residents, in breach of the Act, LSIL acted contrary to the public interest.

17. Subsection 54(b) of the Act states that:

54 A registrant shall

- (b) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

18. In failing to have adequate controls in place to prevent trading by unregistered salespersons, LSIL failed to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances in breach of the Act thereby acting contrary to the public interest.

19. Such other allegations as staff may make and the Commission may permit.

Dated at Saint John, New Brunswick this 1st day of January, 2006.



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