

**IN THE MATTER OF THE SECURITY FRAUDS PREVENTION ACT  
R.S.N.B. 1973, c. S-6 AS AMENDED**

**AND**

**IN THE MATTER OF  
IPC INVESTMENT CORPORATION ("IPC")**

**ORDER**

**WHEREAS** on February 11, 2002, the Administrator of the Securities Administration Branch issued a Notice of Hearing in respect of IPC Investment Corporation ("IPC");

**AND WHEREAS** IPC entered into a Settlement Agreement dated March 12, 2002 (the "Agreement") in which it agreed to a proposed settlement of the proceeding, subject to the approval of the Administrator;

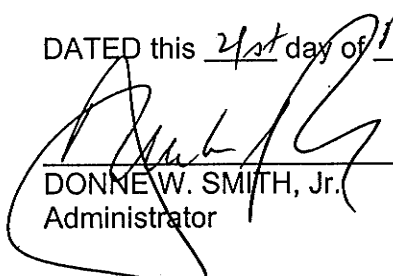
**AND UPON REVIEWING** the Agreement and the Statement of Allegations of Staff of the Branch;

**AND WHEREAS** the Administrator 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; and
2. IPC pay by April 15, 2002, pursuant to section 25(2) of the *Security Frauds Prevention Act*, an amount of \$2,000 to the Minister of Finance for the Province of New Brunswick, for the costs of the investigation.

DATED this 21st day of March, 2002.

  
DONNE W. SMITH, Jr.  
Administrator

**IN THE MATTER OF THE SECURITY FRAUDS PREVENTION ACT  
R.S.N.B. 1973, c. S-6 AS AMENDED**

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March 21, 2002

**AND**

**IN THE MATTER OF  
IPC INVESTMENT CORPORATION ("IPC")**

**SETTLEMENT AGREEMENT**

**I INTRODUCTION**

- 1.1 IPC Investment Corporation ("IPC") is a broker registered in New Brunswick to trade in securities, restricted to distributing mutual funds approved for distribution in New Brunswick.
- 1.2 Staff of the Securities Administration Branch ("staff") commenced a compliance review and subsequent investigation and learned that salespersons, employed by IPC in other provinces, were trading on behalf of New Brunswick residents.
- 1.3 IPC provided information that showed 31 salespersons, responsible for New Brunswick accounts, were not registered in New Brunswick.
- 1.4 IPC has either submitted applications for the registration of these salespersons or provided confirmation that they have transferred the accounts to a registered salesperson, to ensure compliance with New Brunswick's legislation.

**2. STATEMENT OF FACTS**

- 2.1 IPC acknowledges the following facts as correct:
- 2.2 IPC Financial Networks Inc. ("IPCFN") is a body corporate, incorporated under *the Canada Business Corporations Act* and listed on the Canadian Ventures Exchange.
- 2.3 IPC Investment Corporation ("IPC") and Henry Hicks & Associates Limited ("HHAL") are subsidiaries of IPCFN.
- 2.4 IPC Investment Corporation ("IPC") is a body corporate, incorporated under the laws of the Province of Ontario on August 4, 1995 and registered in New Brunswick as an Extra-Provincial Corporation on September 12, 1997 by certificate 076042.
- 2.5 On September 15, 1997, IPC was registered with the Securities Administration Branch as a broker, licensed to trade securities in New Brunswick, restricted to distributing mutual funds approved for distribution in New Brunswick, and was registered continuously until October 21, 2000, at which time IPC's clients and salespeople were transferred to HHAL.

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- 2.6 HHAL is a body corporate, incorporated under the laws of the Province of Nova Scotia in 1988.
- 2.7 On February 7, 2000, HHAL was registered with the Securities Administration Branch as a broker, licensed to trade securities in New Brunswick, restricted to distributing mutual funds approved for distribution in New Brunswick, and was registered continuously until May 16, 2001.
- 2.8 IPC and HHAL amalgamated on May 16, 2001 under the name IPC Investment Corporation.
- 2.9 On May 16, 2001, IPC was registered with the Securities Administration Branch as a broker, licensed to trade securities in New Brunswick, restricted to distributing mutual funds approved for distribution in New Brunswick, and has been registered continuously from that time.
- 2.10 All salespersons and clients previously transferred to HHAL plus additional salespersons engaged by HHAL and their clients were transferred back to the amalgamated entity IPC.
- 2.11 Following a compliance review of the predecessor firm, IPC in November 1999, it was noted as a deficiency that a New Brunswick salesperson was trading on behalf of a client residing in a province in which the salesperson was not registered.
- 2.12 The February 29, 2000 Compliance Report required IPC to transfer the client and put a mechanism in place to prevent further trading by salespersons not registered in the jurisdiction of their clients.
- 2.13 By letter dated March 31, 2000, the predecessor firm IPC reported that all salespersons had been advised of the prohibition against trading in a jurisdiction in which they were not registered.
- 2.14 By letter dated May 11, 2001, HHAL was required to provide, among other things, a list of New Brunswick clients with the name of the representative who serviced each one and for each New Brunswick salesperson, a list of their clients with addresses.
- 2.15 The requested information was provided with a letter dated May 28, 2001 from David Humphreys, Regional Director of Operations.
- 2.16 The information revealed that IPC, after amalgamating with HHAL, had 31 salespersons who were not registered in New Brunswick but who had traded on behalf of New Brunswick clients.
- 2.17 The amalgamated IPC has permitted unregistered salespersons to trade on behalf of New Brunswick clients over a period of years, in spite of the fact that the predecessor IPC had previously been cited by the Securities Administration Branch.

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2.18 By permitting such unregistered trading, the amalgamated IPC 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 There have been no complaints by or harm to clients and no adverse impact upon the capital markets of New Brunswick as a result of the facts referred to in Part II of this agreement.

3.2 IPC has co-operated with staff throughout the investigation of the activities referred to in Part II of this agreement.

3.3 The Respondent asserts that commencing in January 2001 they began to develop a program to address a variety of issues including registration of extra-provincial salespersons.

3.4 The Respondent asserts that salespersons did not solicit clients in jurisdictions in which they were not registered, but rather maintained client relationships due to family ties or as a result of mobility.

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

4.1 Staff agree to recommend settlement in accordance with the terms and conditions set out below.

4.2 IPC agrees to the settlement based on the facts set out in Part II and consents to the making of an order on the basis of those facts.

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

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

5.1 IPC undertakes to:

a) not make any statement which is inconsistent with the Statement of Facts, after the settlement is approved;

b) ensure that no salesperson, sponsored by IPC, trades on behalf of New Brunswick residents, without being registered in New Brunswick;

c) voluntarily pay an amount of \$12,400 for the purposes of investor education to the Investor Learning Centre; and

d) pay, pursuant to section 25(2) of the *Security Frauds Prevention Act*, an amount of \$2,000 to the Minister of Finance for the Province of New Brunswick for the costs of the investigation.

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## **6. STAFF COMMITMENT**

### **6.1 Staff agree to:**

- a) not seek suspension, cancellation or any other disciplinary order in respect of the registration of IPC, in relation to the facts set out in Part II;
- b) not take any separate action against IPC, any of the unregistered representatives of IPC, or any of the company's officers or directors, in relation to the facts set out in Part II;
- c) 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 IPC.

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

7.1 Upon execution of this agreement by staff and by IPC, staff will apply to the Administrator for an order approving the terms set out herein.

7.2 If this Settlement Agreement is approved by the Administrator, it will constitute the entirety of the evidence to be submitted respecting IPC in this matter and IPC 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 Administrator, or the order set forth in Schedule "A" is not made by the Administrator:

- a) staff and IPC will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing, unaffected by the Settlement Agreement or the settlement negotiations;
- b) 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 IPC or as may be required by law; and
- c) IPC 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 Administrator, 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 hereto until approved by the Administrator and forever if, for any reason, the Settlement agreement is not approved by the Administrator.

8.2 Any obligation as to confidentiality shall terminate upon the approval of this Settlement Agreement by the Administrator and it will become public information.

**IX 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 12<sup>th</sup> day of March, 2002.

SIGNED, SEALED AND DELIVERED

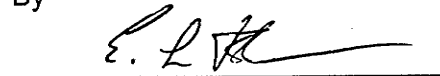
IPC Investment Corporation

By



Staff of the Securities Administration Branch

By



Ed LeBlanc  
Deputy Administrator  
Compliance and Enforcement

