

THE Registrant

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Rules relaxed for snowbirds

CANADIANS WHO SPEND THE WINTER MONTHS IN WARMER CLIMATES SOUTH OF THE BORDER MAY NOW BE ABLE TO CALL THEIR FINANCIAL ADVISERS BACK HOME TO BUY AND SELL SECURITIES.



THE US SECURITIES AND Exchange Commission (SEC) has adopted new rules that allow Canadians in the US who hold securities in Canadian Registered Retirement Savings Plans (RRSPs) to continue to buy and sell securities in those accounts while in the US. The rule applies to Canadians who are vacationing and residing in the US.

The changes went into effect June 23, 2000. The Canadian Securities Administrators (CSA) have also approved a similar rule that allows US citizens visiting or living in Canada to do the same thing. That rule came into effect on Jan. 1, 2001.

The SEC also issued an order


that conditionally exempts dealers who are members of the Investment Dealers Association (IDA) from the requirement that they be registered in the US as broker dealers when they are trading for RRSP accounts. Mutual Fund Dealers / Reps are still prohibited from dealing with US-based clients because they do not belong to a Self Regulatory Organization (SRO) at this time.

To date, half of the states have already granted Canadian dealers equivalent exemptions from broker-dealer registration or have set up a limited registration requirement for what has become known as the "snowbird rule." Most of these states are also relaxing requirements

that all securities being traded be registered.

This information is provided to you in an informal manner. If you have clients who have relocated to the US or who are visiting that country, speak to your compliance officer or your legal counsel before you execute any trades on the client's behalf.

Registrants can see the new rules, amendments and orders on the SEC website at www.sec.gov.

As well, the Investment Funds Institute of Canada (IFIC) has current state-by-state information on their website at www.ific.ca under "Current Issues and Initiatives - Cross Border Trading". 

Registration easier with national database

SECURITIES REGULATORS ACROSS CANADA ARE WORKING to build a web-based National Registration Database (NRD) that will speed up and streamline the application process for registrants.

Plans call for the new database to allow registrants to file applications for registration electronically to a single location, eliminating the need for separate paper applications to each applicable jurisdiction.

General information about registrants currently available to the public on the BCSC website will also be publicly accessible on the new database website. Registrants and regulators will also have access to the database.

CDS Inc., which operates SEDAR on behalf of the Canadian Securities Administrators (CSA), is building the new database and the company plans to have it operational for December 2001.

Currently, an individual or firm wishing to register in more than one province or territory must submit a separate paper-based application form to

each jurisdiction where the registrant wishes to conduct business, as well as sending applications to the IDA or the upcoming MFDA. Although there are some differences among jurisdictions in registration categories and fee schedules, the information requirements are generally similar.

As a result, similar information is collected, processed and maintained on several different registration systems. The new national database will eliminate that duplication.

DRAFT ELECTRONIC FORMS

One of the most important changes for registrants will be the introduction of new electronic forms for dealer firms, adviser firms and individuals. The draft forms to be used for registrant filing were posted on the Ontario Securities Commission's website, at www.osc.gov.on.ca (under "What's New").


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REGISTRATION

Continued from page 1

The CSA has received preliminary comments on the forms, which will be published for comment again, together with the proposed NRD Rule, next year.

UNIFORM REGISTRATION PAYMENT DATE

Dec. 15 will be the uniform registration payment date for all BC registrants under the new system. The BCSC is proposing to move to "permanent registration" as are all other jurisdictions in Canada, whereby annual fees will be payable on Dec. 15 and failure to file will result in an automatic suspension on Dec. 31. Some registrants are currently registered into 2002 so their registration fee will not be payable until their upcoming renewal date. 

BC Securities Commission reduces fees as of Jan 1, 2001

THE BCSC IS REDUCING OR ELIMINATING 14 FEES THAT APPLY TO MUTUAL FUND COMPANIES AND PUBLICLY TRADED COMPANIES LISTED ON THE CANADIAN VENTURE EXCHANGE.

Mutual funds and publicly listed companies will save \$4 million as a result of these changes, said Doug Hyndman, commission Chair. This will reduce costs for companies that raise investment capital in BC.


Major reductions include:

- > a 40-per-cent decrease in the flat fees for filing mutual fund prospectuses;
- > a 30-per-cent reduction in surcharges paid by mutual fund companies; and
- > a 30-per-cent drop in financial statement filing fees for companies listed on the Canadian Venture Exchange.

"In keeping with our streamlining initiative, we are reducing costs and red tape for those who issue securities and we're bringing BC's fees and practices more into line with those in other provinces," said BC Minister of Finance Paul Ramsey.

Other changes will see individuals and firms that contravene securities regulations pay more for hearing and investigation costs. Registered dealers, underwriters and advisers that are late in filing required financial statements will face a new fee of \$100 a day.

The registration period for market participants is also being reduced to one year from two with a corresponding decrease in registration fees. This change was made to streamline the registration process and harmonize it with other provinces. All changes take effect January 1, 2001.

The commission conducted a detailed review of its fee and cost structure and found that the costs of regulating public companies and mutual fund issuers was less than the fees generated from that segment of the industry, Hyndman said. Fees for registered dealers and advisers will not decrease since they currently meet the costs of service delivery. 

Take this quiz to see how your ethics shape up

ARE YOU DEALING IN

GOOD FAITH OR WILLING

TO SAY ANYTHING TO

MAKE THE SALE?

YOU ARE NO DOUBT AWARE that all registrants must "deal fairly, honestly and in good faith" with their clients. But what does this mean if you're trying to conduct business within the spirit of this law? What does it mean to a firm trying to ensure its compliance and supervisory practices are sufficient to keep the firm out of trouble?

Rule 102 a-1 of the US Uniform Securities Act describes unethical practices for Investment Advisers. These practices are prohibited in the US. We've taken some of the items described in the rule and built a quiz to get you thinking about your ethics.

Answer each question. Score two points for each "Yes" answer in questions 1 to 5. Score five points for each "Yes" answer in questions 6

through 12. Check your results against the scorecard at the end.

Score two points for each "Yes" answer

1 If you discover a great investment opportunity for a client, it's OK to ignore the client's objectives, investment needs and financial situation.

2 The more trades you make for a client, the greater the chances of making money for the client.

3 Your client expects you to make them money so it's OK to buy and sell securities from their account without getting their approval beforehand.

4 In order to maintain a good relationship with the client, it's OK to allow the client's friends to make trades from the client's account.

5 Clients know they will be charged fees and commissions so

there is no need to go into detail explaining them when entering into an investment advisory contract.

Score five points for each "Yes" answer

6 Have you ever made trades through your client's account without telling them?

7 Have you ever borrowed money or securities from your client?

8 Have you ever loaned money to your client to purchase securities?

9 Do you "beef up" your qualifications, the qualifications of any of your employees, or the nature of the advisory services offered in order to reassure your clients?

10 Have you ever taken someone else's report or recommendation and told your client it was your own work?

11 Do you guarantee a specific gain to your clients when selling a security?

12 Do you share information about your clients and their portfolios with other people?

Check your ethics score below

- 0 *You're a straight shooter; someone your clients and colleagues can trust.*
- 1-10 *Your conscience is nagging you, but it's not too late to change your ways.*
- 10-25 *Confess your sins to your compliance officer and sign up for an ethics course.*
- 25-35 *A regulator may soon be at your door. You should change your ways fast.*
- 35-45 *You should change careers while it's still your choice.* 

BCSC examinations help advisers comply with regulations

THE BCSC CONDUCTS REGULAR examinations of advisers to help firms comply with securities regulations.

The exams bring deficiencies to the firms' attention and help educate them about regulatory standards and compliance procedures. We believe this helps minimize occurrences of violations and encourages compliance with Securities Laws.

Recently, we completed our first full cycle of reviews of all Securities Dealers and Mutual Fund Dealers in BC.

Our exam program is now focusing on advising firms and we have audited approximately 17 of the 126 Portfolio Managers

currently registered in BC.

We believe it's important to assess the results of the current examinations every six months. BCSC Chief Examiner Wendy Sullivan, is preparing a report of the major findings and key deficiency points from the latest round of examinations. When completed, this report will be distributed to all advising firms.

We encourage all advisers to review the report and assess their own practices to ensure they have adequate systems and procedures in place. Your goal should be to foster a positive compliance structure in your firm. 📈



ROSS McLENNAN
Director - Registraion

BCSC Meet & Greet to Become An Annual Affair

ATTENDEES TELL US THE MEET & Greet for compliance officers hosted by BCSC staff last June at the Law Courts Inn was a great success.

Many of you took the initiative and successfully launched the BC Provincial Compliance Officer's Forum. This is a group of provincial compliance officers who have set up regular meeting dates to discuss common issues and concerns. For more information please contact the BC coordinator, Victor Lee, at (604) 732-6551.

The BCSC is also planning to hold an annual meeting for all registrants. We will likely be hosting the first event in June 2001. We look forward to meeting with registrants and welcome suggestions on how we can provide more timely updates and comments on issues.

The BCSC staff will also make presentations to a group of registrants or compliance officers. If you wish to arrange for a speaker for your organization, please contact Michelle Pickerill, Communications Officer, at (604) 899-6768. 📈

MFDA Update: Regulators Address Industry Concerns

More than 400 letters commenting on the proposed new rules and bylaws for the Mutual Fund Dealers Association (MFDA) were submitted before the comment period closed in September.

After reviewing a number of concerns expressed, the Canadian Securities Administrators (CSA), the national association of Canada's securities commissions, has agreed to support a number of amendments provided that investor protection is not compromised.

WHAT HAPPENS NEXT?

MFDA staff have completed a review of the comments and are proposing responses. Recommendations regarding proposed changes to the MFDA rules and bylaws will be sent to the BC, Alberta and Ontario securities commissions as they are developed. The commissions will review the changes to see if they are appropriate.

Following this review, the commissions will decide whether to recognize the MFDA as a Self Regulatory Organization (SRO). If the MFDA is recognized in January 2001, and the BCSC's proposed SRO membership rule is adopted by then, mutual fund dealers will be required to complete and submit their membership application materials by March 31, 2001. This will allow some time following RSP season for you to prepare your application, but it will take significant time. You should begin working on it as soon as possible. A draft application for MFDA membership can be found on the MFDA website at www.mfda.ca.

MFDA BYLAW COMMENTS

Payments to Unregistered Personal Corporations

Concerns were expressed, particularly by dually licensed salespeople, about the proposed MFDA prohibition on any portion of a

salesperson's commissions being paid to a corporation. The CSA has reviewed these concerns and has advised the MFDA that it will accept rules that would allow salespersons to direct their dealers to pay a portion of their earned commissions directly to their unregistered personal corporations, provided a number of conditions were met.

Those conditions include:

- the portion of the commissions paid directly to a salesperson's corporation must be related to the provision by the corporation to the dealer of services for which registration is not required and must not exceed 25% of the commissions;
- the services provided and the resulting remuneration must be reflected in an agreement between the dealer and the salesperson's corporation; and
- all remaining remuneration, including all remuneration resulting from activities for which registration is required, must be paid directly by

the dealers to the salespersons.

BULK TRANSFER

The CSA recognizes that some salespersons would like to apply as level 1 introducers or level 2 dealers with the MFDA, and that draft MFDA Rule 2.12 would make it difficult for these salespersons to transfer their clients. MFDA Rule 2.12 requires a delivering dealer to obtain the written consent of each client prior to transferring the client's account to another dealer.

In order to accommodate salespersons who wish to become dealers in the early stage of the MFDA, the CSA has advised the MFDA that it will accept rules that will allow a transition period of two years, during which a salesperson may obtain negative affirmation of clients' consent to transfer, provided that:

- the salesperson applies to become registered as a dealer; and
- the new account at the receiving




TIPS TO SUCCESSFULLY COMPLETE AN APPLICATION FOR TRANSFER/CHANGE OF STATUS (FORM 7A) ONLINE

YOU CAN NOW ACCESS ALL REGISTRATION FORMS ON THE BCSC website. The forms are in PDF format and can be completed online and then printed. Thorough instructions are included. After being signed they must then be sent to the Registration Division at the BCSC.

TO ACCESS REGISTRATION FORMS ONLINE:

- Step 1 Go to the BCSC Home Page at www.bcsc.bc.ca
- Step 2 Look under our [Quick List](#)
- Step 3 Click on [Documents Database](#)
- Step 4 Select the arrow beside [Forms](#). You will see a long list of forms to choose from.
- Step 5 Click on the form you require. The registration forms are 3, 4, 4Z, 7, 7A and 7Z.


Following are a few tips to ensure you properly complete a Form 7A (Application for Transfer/Change of Status) online:

- Ensure your legal name is recorded.
- Ensure the correct dealer/adviser name is shown.
- Record the correct address for the head office in British Columbia and registered branch office if applicable. Specify the correct category of registration sought.
- Include applicable course results if the application is for an upgrade or change of status. The current registration certificate must also be returned for an upgrade of registration.
- If applicable, consent letters for dual registration may be required from the new dealer/adviser and the applicant's Insurer.
- The last question is often missed – Have there been changes in the information given in Questions 11 through 20 of the Uniform Application For Registration/Approval previously filed by you and approved? If yes, attach full particulars. This question must be answered.
- If transferring, the applicant must resign from the former dealer/adviser. Termination information from the former employer should be received by the BCSC office prior to registration. Otherwise, the transfer may be delayed. 

HAVE YOU CHECKED OUT the Industry Information page on the BCSC website lately?


We've added a **Frequently Asked Questions (FAQs)** section dealing with registration and registration related issues.

Questions and answers cover the following categories: Registration, Compliance, Disclosure, Record Keeping, Forms, Reporting Requirements as well as General and Current Issues.

Our site now also contains a number of useful checklists. If you can't find the answer to your question on our website or if there is something you would like to see added, please feel free to contact us. 

Internet expands reach and need for registration.

THE INTERNET ALLOWS ADVISERS TO REACH MORE POTENTIAL CLIENTS THAN EVER BEFORE, BUT THAT WORLDWIDE REACH COMES WITH SOME DOWNSIDE RISKS.

For example, your investment advice are registered to trade only in BC, to BC residents goes far beyond you must take reasonable steps to the province's borders. avoid selling to non-BC As a result, you may residents. For more become subject to the registration require- detail on this issue, ments that apply in other provinces and please see National other foreign juris- ing Securities Using dictions even though the Internet and Other Electronic you had not intended to solicit clients from apply if you are an adviser outside the province. However, if registered in BC and, for example, Alberta and Ontario. In this case, you should post an Internet disclaimer prominently stating that the advice is only for people who reside in BC, Alberta and Ontario. 

If you are registered to trade only in BC, you must take reasonable steps to avoid selling to non-BC residents.

WEEKLY SUMMARY CONTENT NOW AVAILABLE ONLINE

THE CONTENT OF THE BC SECURITIES Commission's Weekly Summary is now available on the BCSC website free of charge.

All the content provided in the original print edition can be downloaded from www.bcsc.bc.ca. This will give you faster and more up to date information. The printed edition, which cost an estimated \$180,000 a year to produce, will cease entirely by early 2001.

Note that the information is contained in various databases. Just click on the "Weekly Summary" link under "Quick List" on the BCSC home page. This will

take you to a list of links to access the information for the various chapters from the weekly summary.

BCSC staff now send an email message every Friday afternoon to former subscribers highlighting some of the material added to the BCSC website during that week.

If you wish to be added to or removed from our weekly notice list, please respond to inquiries@bcsc.bc.ca.

With the Weekly Summary now online, BCSC staff consider it essential that compliance staff review the BCSC website on at least a weekly basis. 📧

IMPROVED SEARCH CAPABILITIES FOR REGISTRATION DATABASE

THE BCSC WEBSITE HAS A NEW AND IMPROVED registration search database. You can now search by name (as before) or by category (SRO Dealer/Adviser) or by date range.

The name search allows you to use first, last or a portion of a name and displays a list of all registrants that meet your search criteria.

The category search allows you to refine your search

to active, terminated or to a specific category of registration. This will allow you to review a list of employees for a particular dealer.

Finally, you can search by date range, which will give you a list of all registrants that had activity during the period specified.

We hope these new features will benefit you. 📧

MFDA Continued from page 3

dealer is a client name account.

In all other circumstances, and after the transition period, the CSA considers it essential that clients give positive consent before their accounts are transferred.

FINANCIAL PLANNING

The draft MFDA Rules would allow salespersons to continue to conduct financial planning activities through a business outside of the dealer, provided that the business is regulated by another governmental authority or statutory agency. This differs from the position taken in the CSA Distribution Structures Position Paper, which required that financial planning activities must be conducted through and supervised by the mutual fund dealers.

The CSA agrees to support the MFDA position that salespersons can record income derived from their financial planning activities through businesses that are otherwise

regulated; however, any part of financial planning that could be considered advice relating to trading in securities or acts in furtherance of a trade must be supervised by their dealers.

There are a number of amendments planned for the MFDA rule to accommodate this change to ensure that:

- the dealers are notified of and approve the financial planning activities of their salespersons;
- the dealers have access to the complete financial plans prepared by their salespersons if the plans have resulted in advice or trades in securities;
- the dealers have systems in place to review and monitor the financial planning activities of their sales persons,
- the dealers have the ability to follow up and investigate any client complaints with respect to financial planning provided by their salespersons;
- disclosure is provided to financial

planning clients that clarifies the relationship between the salesperson and the dealer with respect to these activities and that provides guidance to clients with respect to complaint procedures; and

- the MFDA and the securities regulators have access to and the ability to review the whole of these financial plans and have the ability to follow up complaints, and investigate and regulate those activities that result in trades and advice in securities.

TRADE NAMES

The original MFDA rules would have allowed the use of trade names by salespersons or dealers only when these trades are owned by and registered to the dealers and are used alongside the full names of the dealers. The CSA agrees to amendments that will permit salespersons to continue to own the trade names under which they conduct their mutual fund businesses with some qualifications. 📧

In the spotlight: Gayle Carlson

Gayle Carlson began her career with the BCSC in 1978 when the office was known as the Superintendent of Brokers.

She was appointed as acting supervisor of the registration department in 1985, and spent much of that year working to help implement the Commodities Act. In 1986, she was named supervisor of registration.

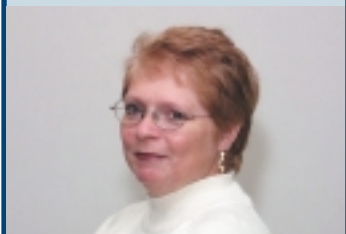
As supervisor, Carlson oversees a staff of five. She is responsible for ensuring they are trained and kept up to date with any policy and departmental changes.

"One of the most interesting and challenging parts of this job is watching how the securities market changes and how we have to keep on top of those changes through new policies and rules," she says.

"With so many new financial products available to the consumer, the industry has expanded and we have to work harder to ensure everyone is registered on a timely basis."

Currently, Carlson finds herself immersed in the National Registration Database (NRD) project, a cross-Canada effort to develop a system that will allow provincial securities commissions to access the same information and rely on each other for out-of-province registrations.

The NRD will eliminate the need for individuals and firms to file documents in every province. We will update you on the NRD project regularly in this newsletter (see article on page 1). 📧



GAYLE CARLSON



Caught in the Act

Settlements, Hearings and Breaches of Legislation

BROKERS PUT SELF-INTEREST AHEAD OF CLIENT WELFARE
Stockbrokers Robert Hartvikson and Blayne Johnson were in a conflict of interest, failed to act in the best interests of their clients and took personal advantage of their role in managing Cartaway Resources, the commission found.

By withholding information from clients and the market while acquiring large blocks of Cartaway shares, Hartvikson and Johnson acted in their own interest. Trading reports show that Johnson and Hartvikson personally made more than \$5.1 million by trading in Cartaway shares while the two were employed at the Vancouver office of First Marathon Securities.

Penalties against Hartvikson and Johnson are still pending. They have also applied for leave to appeal the findings against them.

CGIC BRANCH MANAGER AGREES TO PAY \$15,000 PENALTY PLUS COSTS
Douglas Robert Eugene Wilson, branch manager of Canadian Global Investment Corporation's Surrey office, agreed to pay the BC Securities Commission \$15,000 after admitting he failed to properly supervise new client accounts.

Wilson is prohibited from becoming or acting as a branch manager or compliance officer for five years and until he successfully completes three courses from the Canadian Securities Institute. Wilson is also prohibited from acting as a company director until he successfully completes two other courses for directors of public firms.

In his settlement, Wilson admitted he didn't ensure that new client accounts were approved and he didn't properly supervise the transactions of CGIC and its employees. As a branch manager he was obligated to ensure that

investments being made for CGIC clients were suitable in nature as outlined in client account documentation.

BROKER BANNED FROM MARKET FOR 20 YEARS
Buying and selling stocks for clients with a record of US securities violations earned Vancouver investment dealer Jean Claude Hauchecorne a 20-year ban from the market.

The commission also prohibited Hauchecorne from acting as a director or officer of any issuer and from engaging in investor relations activities for 20 years. Hauchecorne was also ordered to pay the costs of the commission hearing.

Hauchecorne was an experienced broker who failed to discharge his responsibilities under the Know Your Client rule, one of the most basic and important obligations of a registrant, the commission said. "Hauchecorne has been found to have deliberately ignored this fundamental principle."

NORAM PRESIDENT HIT WITH 10-YEAR PROHIBITION
The commission prohibited Andrew Willman, president of Noram Capital Management Inc., from acting as a director and officer of any company or engaging in investor relations activities for 10 years.

The sanctions were levied after the commission found Willman controlled and directed Noram's affairs and authorized, permitted or acquiesced in Noram's wrongdoing.

Willman "attempted at every turn to distance himself from all of Noram's wrongdoing. At no point did Willman acknowledge that he, as Noram's sole shareholder, its president, its sole registered employee and its primary director, had the responsibility to ensure that Noram fulfilled its regulatory

obligations," the commission said.

INVESTMENT ADVISER TO PAY \$102,000 IN FINES AND PENALTIES
Vancouver investment adviser John Brian Johnston agreed to pay \$25,000 in penalties and costs and give up \$77,000 in commissions and fees as a result of his involvement in the Gary Stanhiser and Excel stock fraud.

The penalties are spelled out in a settlement agreement with the commission staff. Johnston also agreed to complete the Conduct and Practices exam by May 31, 2001.

Johnston acted as a "conduit" for Stanhiser's Excel group of companies and more than 140 investors who opened accounts at Canaccord Capital Corporation and purchased shares in the Excel companies.

CANACCORD AGREES TO FINES AND AUDIT
Canaccord Capital Corporation agreed to pay \$428,000 in penalties and investigative costs for its role in a stock fraud perpetrated by Gary Stanhiser and his Excel group of companies.

In an agreement signed with the commission staff, Canaccord states it has improved its compliance procedures.

However, Canaccord agreed to have its compliance record audited by an external accounting firm for the fiscal year 1999-2000, to pay all costs associated with the audit and to fix any deficiencies discovered by the audit.

"The onus is on senior management to ensure their companies and employees comply with securities regulations," said Stephen Wilson, BCSC executive director.

Canaccord officials agreed they failed to properly supervise their employees.

The Registration Diary



Canadian Western Capital Limited ceased to be an Underwriter on Aug 14/00

E-Bond Ltd. was registered as an Investment Dealer on Apr 14/00

Fimat Derivatives Canada Inc. was registered as an Investment Dealer restricted to exchange contracts on July 18/00

Foster First Financial Corporation failed to renew as a Mutual Fund Dealer on Aug 19/00

Foyston, Gordon & Payne Inc. was registered as a Portfolio Manager on Aug 30/00

Galileo Equity Management Inc. was registered as a Portfolio Manager on Aug 31/00

Goldman, Sachs & Co. was registered as a Portfolio Manager on July 25/00

Greystone Managed Investments Ltd. changed its name to **Greystone Managed Investments Inc.** on May 23/00

Industrial-Alliance, Group Savings Broker Inc. was registered as a Mutual Fund Dealer on Apr 17/00

Industrial-Alliance, Group Savings Broker Inc. was suspended as a Mutual Fund Dealer on May 18/00

KCM Wealth Management Inc. was registered as an Investment Counsel on Aug 15/00

Michael Graham Inc. was registered as a Portfolio Manager on July 12/00

Morgan Grenfell Investment Services Limited changed its name to **Deutsche Asset Management Investment Services Limited** on Apr 24/00

Nicholas-Applegate Capital Management was registered as a Portfolio Manager on July 12/00

Northern Securities Inc. was registered as an Investment Dealer and Underwriter on Apr 25/00

Online Investment Advisor was registered as a Securities Adviser on July 7/00

Otrade Investor Inc. was registered as an Investment Dealer on May 15/00

RBC Private Counsel Inc. was registered as a Portfolio Manager on Aug 24/00

Watermark Capital Management Inc. was registered as a Portfolio Manager on July 25/00

ZLC Private Investment Management Inc. was registered as a Portfolio Manager on Apr 3/00

A.C. MacPherson & Co. Inc. ceased to be an Investment Dealer on July 27/00

Bunting Warburg Dillon Read Inc. changed their name to **UBS Bunting Warburg Inc.** on May 1/00

Canadian Western Capital Limited ceased to be an Investment Dealer on July 4/00

Contingency Fund replenished


THERE IS GOOD NEWS FOR the 146 dealers who participate in the BC Contingency Fund. A trustee reconciling the accounts of failed Vantage Securities has returned more than \$1.3 million to the BC Contingency Fund as of this month.

The fund, established in the early 1980s by the BC government, is backed by a \$15,000 contribution from each of the dealers plus the interest earned on the contributions. The fund protects investors in the event that one of the participating dealers fails financially.

Two years ago this month, a total of \$1,899,972 was removed from the BC Contingency Fund to cover the possibility of shortfalls in 3,400 client accounts at Vantage Securities after the dealer was declared bankrupt in May 1998. Vantage Securities was unable to come up with \$139,000 in capital to meet risk-adjusted capital requirements

when it was responsible for managing more than \$1 billion in client investments.

Since then, the bankruptcy trustee, KPMG has been reconciling the accounts and has returned more than \$1,361,898 to TD Trust, which administers the trust fund for the commission. The BCSC is also awaiting the outcome of a hearing in the province of Alberta concerning Vantage Securities' \$200,000 bond. We are in the process of trying to reclaim as much of this as possible.

As a result of the BCSC's proposed rule to require most dealers to join a self regulatory organization (SRO), we expect that the BC Contingency Fund will be phased out. It will be mandatory for all securities and mutual fund dealers to become members of either the MFDA or the IDA and to participate in an investor protection fund administered by the relevant SRO. 

Advisers play key role in protecting market integrity

INVESTMENT DEALERS AND ADVISERS ARE THE GATEKEEPERS OF BC'S FINANCIAL MARKETS.

Investment dealers and advisers are the gatekeepers of BC's financial markets and must be prepared to play a larger role in protecting the markets from criminal abuse and money laundering, the BC Securities Commission's Executive Director told a Vancouver money laundering seminar.

Brokers must be able to ensure that their clients operate their accounts within the established industry standards and in the public interest if we are to maintain investor confidence in our exchange, Steve Wilson told about 300 people attending the November conference sponsored by accounting firm KPMG.

The gate keeping function is key to protecting the reputation of the market in which the broker works. The broker community must be prepared to accept this.

The conference was held to draw attention to Bill C-22, Canada's new financial reporting legislation designed to combat money laundering. The new bill, which takes effect in 2001, will increase the reporting requirements for many people working in the financial services and securities industry.

Wilson said the BCSC is finding growing evidence that Vancouver has become a destination of choice for organized crime's money laun-

ADVISERS *Continued on page 8*

dering activities. He revealed that the Securities and Exchange Commission (SEC) and the FBI spend more time investigating BC than any other non-US jurisdiction.


In BC, problems occurred when brokers ignored warning signs until there was a loss or significant problem, Wilson said. When a criminal element takes root in a market, it casts a shadow over that market and drives away investment.

Public perception and public confidence are vital to any successful capital market. If investors see a market as corrupt, it's difficult to

attract new capital and investment.

Wilson asked how many people recalled the phrase "Vancouver — scam capital of the world," a reference to the infamous label a leading US business magazine hung on the former Vancouver Stock Exchange in 1989.

If legitimate investors are to have confidence in the markets, they must believe the markets are free of wrongdoing. They must know that the risk is the market, not the chance of fraud. They must know the markets are monitored and have integrity.

Regulators and brokers must work together to ensure BC's capital markets remain healthy and attractive to investors. 

RESOURCES:

The BC Securities Commission's (BCSC's) Registration Department has a number of resources available to help both you and your clients.

Our website address: www.bcsc.bc.ca

Brochures and Related Materials Available:

*Getting Started **

*A Primer **

*Choosing Your Financial Advisers **

The Prospectus: What It Is and Why You Should Read It

Investing and the Internet: Be Alert to Signs of Fraud

*Mutual Funds: What You Need to Know **

Exempt Market Securities: Look Before You Leap!

Your Investment Planning Worksheet

Characteristics of Various Types of Securities

* Available in Chinese translation.

Dealer Compliance Officers, or their assistants should contact the commission's Information and Records Division for details on bulk orders.

THE Registrant



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The BCSC is the independent self-funded government agency responsible for regulating trading in securities and exchange contracts in the province of British Columbia. Its Registration Division oversees the registration and conduct of all dealers and advisers in securities and exchange contracts.

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