

IN THIS ISSUE:

2 Ethical Issues:
Lending and borrowing
best left to others

2 Industry feature

3 MFDA Update:
The next steps

4 Website tools

4 The drive to T+1

5 IDA Update:
The ABCs of the IDA

6 Caught in the Act:
Settlements, hearings
and breaches of
legislation

7 Industry conference to
become annual affair

Your Industry Newsletter

Portfolio managers to discuss BCSC compliance report

THE BC SECURITIES COMMISSION will seek feedback during a day-long, interactive session this fall from compliance staff at 20 BC portfolio management firms where it conducted compliance examinations.

BCSC staff conducted examinations between October 1996 and December 2000 and published the deficiencies discovered at the firms in a report released to the industry July 30, 2001.

"We are concerned about the significant number of serious compliance deficiencies identified during our examinations," Gerry Halischuk, BCSC's director of Capital Markets Regulation, said in issuing the report.

"These deficiencies indicate inadequate compliance practices and procedures that can lead to breaches of securities legislation," he said. "Those breaches can seri-

ously harm the industry's reputation and put in jeopardy a firm's continued registration."

MAJOR DEFICIENCIES OUTLINED IN THE REPORT INCLUDE:


- incomplete compliance policy and procedures manuals
- deficient "know-your-client" practices
- inadequate record-keeping
- inadequate personal trading procedures
- advertising and marketing concerns
- unregistered advising staff, and
- lack of disclosure.

The interactive forum in October is the second session the BCSC is hosting to get feedback from a group of compliance officers. A similar session was held several months ago with compliance staff from scholarship plan dealers.

Halischuk said the commission sees value in meeting informally with industry to discuss the deficiencies staff found during examinations.

"We recognize the value in obtaining the views of the industry. The session will not only accomplish that, but will also give industry members an opportunity to voice their concerns and hear the views of their peers. The result is often that the group identifies issues of which we as regulators were not aware."

Halischuk indicated that the commission would schedule more interactive forums in the future. He also said that several of the 20 firms included in the report would be re-examined over the next 12 to 18 months.

For the date of the upcoming session and more information, please contact Steve Plummer, Manager of Compliance, at 604-899-6602. 

BCSC supports training for future industry players

THE BCSC IS GIVING \$75,000 IN SUPPORT OF A NEW, UNIVERSITY-LEVEL INVESTMENT MANAGEMENT PROGRAM THAT FEATURES AN ETHICAL AND REGULATORY COMPONENT IN ITS CURRICULUM.

SIMON FRASER UNIVERSITY'S MBA IN GLOBAL ASSET AND WEALTH MANAGEMENT program is expected to debut next fall to train financial professionals for the investment management industry. In addition to teaching the fundamentals of finance, asset allocation and security selection for an investment portfolio, the program will also help prepare students for the ethical considerations and client management side of the business.

"We think Simon Fraser's program is an excellent way to reinforce the importance of compliance in the investment industry," said BCSC Executive Director Stephen Wilson in approving the grant.

"It is our hope that students who successfully complete this program become competent financial managers with a good understanding of the reg-

ulatory framework in British Columbia."

The commission will participate in a business council made up of selected investment industry professionals to help the program maintain a curriculum that covers relevant topics – including regulatory issues – in the investment industry. The council will oversee a student-run investment management service, provide work terms for students, and contribute to an executive speakers series. The commission will contribute \$75,000 to the program over a three-year period from the \$3.89-million BCSC Education Fund.

The BCSC Education Fund was established to promote investor educa-

TRAINING

Continued on page 2

Ethical Issues: Lending and borrowing best left to others

NEITHER A BORROWER NOR A LENDER BE . . .

Shakespeare's advice about borrowing and lending money still has a lot of currency in today's financial world. There is no specific language in the *Securities Act* barring you, a registered dealer or adviser, from lending money to or borrowing money from a client. However, there are some sound reasons why you should avoid the practice.

Although investment dealers, regulated by the Investment Dealers Association (IDA), are permitted to loan money to clients through the use of margin accounts, they are subject to comprehensive rules and procedures governing

the use of these accounts. However, these rules and procedures do not apply to other categories of registration.

As a registered dealer or adviser, you have a great deal of influence over the financial affairs of your clients. Loaning funds to a client may influence decisions you make for that client's account. A conflict of interest situation arises because your client also becomes your debtor.

Borrowing money from a client presents the same set of problems. No longer are you providing objective, independent advice to your client because you have your own financial interests to consider first.

With some registrants, "borrow-

ing" money from a client has proven to be simply another way to describe fraud and misappropriation. In January 1998, the commission imposed a 30-year trading ban against an Abbotsford mutual fund salesperson who "borrowed" \$555,000 from clients who came to him for financial advice. He was also sentenced to a year in prison and ordered to repay his clients \$535,000.

Your best bet? Leave the borrowing and lending to the banks and brokerage firms with regulated margin account procedures. You end up serving your clients better by not engaging in either practice. 📈

TRAINING

Continued from page 1

tion and industry understanding of securities regulation in the province. It is funded through administrative penalties that the commission levies against those who violate the *Securities Act* and *Regulations*. Also put into the fund are monies the commission collects in excess of its costs when it negotiates settlements with those who have violated the Act. 📈

Industry Feature: Firm finds attention to compliance pays dividends

2

DENNIS DACIUK DOESN'T

HOLD ANY ILLUSIONS

ABOUT WHAT SALES REPS

THINK OF COMPLIANCE

OFFICERS.

"WE ARE USUALLY CALLED THE sales prevention department," he laughs. "My response to this is we are the sales protection department."

Since Daciuk started as Great Pacific Management Co. Ltd.'s sole compliance officer in 1995, he has seen a steady change in attitude towards compliance on Howe Street and in the investment community.

"In today's complex investment environment, compliance and ethics in the securities investment industry has become a major issue and concern to regulators and dealer firms," he says.

He points out that today's investors are quick to take legal action against investment advisers and their firms when things go awry.



DENNIS DACIUK

"We need to have everyone embrace and work with compliance in order to eliminate liability for ourselves while putting our clients' interests first."

Daciuk recognizes that some firms are better than others in their compliance practices and says that there has to be a "corporate culture of compliance" throughout a company before sales reps readily embrace the concept.

"We don't try to browbeat anyone into good compliance behaviour at Great Pacific," he says. "Instead, we try to achieve this through moral suasion and education."

He says the three pillars for compliance for his now seven-person department are:

1. Putting the client first
2. Independence
3. Zero toleration for securities violations

Daciuk says a good rule-of-thumb ratio is one compliance officer to every 100 sales rep for adequate compliance coverage at a brokerage house.

Besides the expected tasks of reviewing sales reps' marketing materials, following client complaints, approving new accounts and orienting new representatives to the company's compliance procedures, Daciuk has, at times, had to take his compliance duties a step further.

"In one case, I had to travel to another city and help interview a new group of investment advisers that we were considering hiring," he says.

Daciuk says, based in part on his concerns about the group's compliance record and his recommendation against them, the group was not hired.

With so many new and inexperi-

enced investors in the securities market, Daciuk says the need for investment advisers to help educate and watch out for their clients has never been greater.

He emphasizes the importance of the "know your client" rule for sales reps.

"Reps must really listen to their clients and know their risk tolerance, investment knowledge and return objectives."

Daciuk sees his primary role as that of an educator who helps investment advisers perform their work better.

"I like to think that Great Pacific's salespeople think of my department less as a police department, but rather, here to help protect them and their clients."


"My role is to protect the investor and to educate the sales rep," says Daciuk. 📈

National Registration Database

TRAINING SESSIONS FOR THE NEW WEB-BASED NATIONAL REGISTRATION Database (NRD) currently being developed by securities regulators across Canada are expected this winter.

The new database will allow individual registrants to file applications for registration electronically to a single location and will help speed up the application process by eliminating the need for separate paper applications to each applicable jurisdiction.

Currently individuals wishing to register in more than one province or territory must submit a separate, paper-based application form to each jurisdiction where they wish to do business. The new database will collect, process and maintain this information in one system – eliminating duplication.

The BCSC will notify chief compliance officers at registered firms of the dates for the training sessions by email. Once finalized, information on the training sessions will also be posted on the commission's website at www.bsc.bc.ca. 

Insider reporting training


DIRECTORS, EXECUTIVES AND OTHER INSIDERS OF CANADIAN PUBLIC companies will be required to begin electronic filing of their stock trades and transactions this November using a new national Internet-based system.

National Instrument 55-102 –The System for Electronic Disclosure by Insiders (SEDI) takes effect October 29, 2001. Under the National Instrument, insiders will be required to file insider reports electronically beginning November 13, 2001 and the public will be able to access these reports as of this date.

To help you make a successful transition to electronic filing, the BCSC is offering two free training sessions:

Session 1:	Tuesday, October 23	9:00 am - 11:00 am
Session 2:	Tuesday, October 23	1:00 pm - 3:00 pm
Location:	Vancouver Convention & Exhibition Centre 999 Canada Place (Adjoining) Meeting Rooms 8 & 15	

Seating is limited, so please reserve a spot by Tuesday, October 16. To confirm your registration, please contact Cheryl Odell at 604-899-6727 or e-mail codell@bcsc.bc.ca.

For the news release and more information on SEDI, please visit www.bsc.bc.ca. 

MFDA Update: The next steps

By Wendy Royle,
Pacific Regional Director, MFDA

The Mutual Fund Dealers Association of Canada (MFDA) was officially recognized in British Columbia on February 9, 2001. As of July 2, 2002, all firms registered as mutual fund dealers in BC are required to be a member of a self-regulatory organization (SRO). In addition, all firms registered as securities dealers in BC are required to be a member of an SRO by October 1, 2002.

WHAT ARE THE NEXT STEPS IN MY MEMBERSHIP APPLICATION?

After the MFDA's Toronto head office receives a firm's membership application, MFDA staff review the application, identify any omissions, and, if necessary, send a letter to the applicant asking for further clarification or information.

After receiving the missing documents, the BC-based firm applications are forwarded to the Pacific Regional office for detailed review. If a firm based in another jurisdic-

tion owns your firm, your application will be reviewed in Toronto.

Once the detailed review is completed successfully, a memo recommending that your firm be accepted as a member is forwarded to the Executive Committee of the Board of Directors of the MFDA to review the recommendations. After receiving Executive Committee approval, your firm will be sent a letter indicating that you have been accepted as a member.

WHAT IF THE FIRM I WORK WITH ISN'T ACCEPTED AS A MEMBER?

If your firm isn't accepted as an MFDA member, then your firm's registration will expire in July 2002, and the representatives employed by your firm can transfer to a firm that is a registered MFDA member.

HOW OFTEN IS MEMBERSHIP REFUSED?

Most mutual fund dealers in BC have already participated in at least one compliance audit by BCSC staff examiners. So, most firms in BC already know how well they are

complying with securities legislation and have been given sufficient time to improve any compliance deficiencies.

If your firm hasn't resolved its compliance deficiencies, then the MFDA may have some concerns about granting membership. If you are a representative, ask your branch manager or head office compliance officer about your firm's most recent audit and how well they performed. As a registered representative with the firm, you have a right to know.

WHY DID I HAVE TO SIGN THE SCHEDULE G BEFORE MY FIRM COULD APPLY TO THE MFDA?

Every registered representative is required to sign a Schedule G form prior to the firm applying for membership. The form includes various declarations, including agreement to abide by MFDA Rules.

Some representatives have expressed privacy concerns regarding the consent to provide "any information from any source." The MFDA would like to clarify that the

consent is the same as the consent you gave on your Form 4 when you initially registered with the BCSC. Now that the MFDA is assuming regulation of mutual fund dealers, this consent was simply extended to the MFDA.

IS THERE ANYONE I CAN CONTACT IN BRITISH COLUMBIA ABOUT THE MFDA?

Yes, the MFDA opened a regional office in Vancouver in May 2001. You may contact Wendy Royle, Pacific Regional Director at 604-331-4755 or visit our website at www.mfda.ca. 

Registration time rolls around again


DOES YOUR REGISTRATION EXPIRE December 31, 2001? All firms and individuals whose registration does expire December 31, 2001 should have received a renewal notice by now.

You should be aware that with more than 19,000 registrants in the province, we cannot guarantee that your registration will be renewed prior to the December 31 expiry date if we receive your application after December 1, 2001.

When you review this year's renewal notice, you will notice that we ask you the same questions that we pose on Form 5 (now BC Form 31-904F). Be sure to review the questions with all your registered staff and file a schedule with details of any positive responses.

Please note that we are not sending out hard copies of renewal notices this year. All renewals that we grant will appear electronically within 24 hours of approval on our BCSC registration database. You can check your registration by visiting the database at www.bcsc.bc.ca and following the prompts.

During the past year, we have been changing the registration system so that everyone registered to trade or advise in securities and exchange contracts will be required by December 31, 2002 to renew their registration annually by December 31 of each year.

If you have any questions concerning the renewal process, please call Karin Armstrong at 604-899-6692. 

Website Tools:

BCSC "CHEAT SHEET" SPEEDS UP DOCUMENT SEARCHES


STILL HAVING TROUBLE ADJUSTING TO THE FIVE-DIGIT NUMBERING SYSTEM FOR commission documents? Pining for the days of NINs, BORs and LPSs?

The Canadian Securities Administrators has used the numbering system for national documents since 1996. Last year, we decided to convert all our local BC documents to the same system. We developed the new numbering system to ensure that all documents relating to a particular subject matter would be grouped together and, therefore, easier for you to locate. For example, any document relating to registration, starts with the number 3. Previously, documents were divided into groups based on the type of document—Forms, Notices, Blanket Orders and Policies—and numbered chronologically.

Some industry professionals have told us that they are still scratching their heads over our numbering system.

In response, we developed the Numerology Cheat Sheet to assist you with the transition to the new numbering system. You will find the Cheat Sheet under the Policy & Legislation link of our website. It provides a quick guide to the five-digit numbering system. The easy-to-read table is divided into headings that indicate what each number means. Follow the Cheat Sheet and NI 35-101 will make perfect sense to you.

Have you lost your favorite document? Check our Table of Concordance, also found under the Policy & Legislation link of our website. It lists the "Old Number", "Old Title", and the corresponding "New Number" of many documents. So if you're wondering, what happened to Form 61? Check the table and you will find that it is now called BCF 51-901F.

If you're having any problems locating a document, or need assistance with the numbering system, please contact Veronica Armstrong in our Policy and Legislation Division at 604-899-6738. 

4 The drive to T+1

By Eric Pelletier,
Canadian Capital Markets
Association

THE CANADIAN SECURITIES industry plans to reduce the time it takes to clear and settle a trade from three days (T+3) to one day (T+1) by mid-2004, with testing beginning in 2003. The achievement of this goal will involve the coordinated efforts of all participants in the securities industry.

By cutting the time lag in settlements from the current three days to one, the industry and regulators want to reduce the risk that stock or bond values may decline between the time an investor initiates a trade and the time when they settle the trade with the exchange of cash for the security. The longer this process takes, the greater the risk that the investor will not have the cash necessary to settle the trade.

The drive toward T+1 coincides with similar efforts under way in the

United States and other countries. It presents challenges and potential benefits to all participants in the securities industry. It will also require a coordinated effort to develop and execute the necessary steps to reach T+1 within the next three years.

As the initiative proceeds, its impact will extend far beyond faster trading. "T+1 is important to maintain Canadian competitiveness," said Al Cooper, Chair of the Canadian Capital Markets Association (CCMA) and President and CEO of the Canadian Depository for Securities Ltd.

In the US, Federal Reserve Chairman Alan Greenspan has publicly emphasized the importance of the T+1 initiative. "Already there are signs that trading volumes are straining the capacity of the infrastructure—an increasing number of transactions are failing to settle as scheduled," said

Greenspan. "Without a complete re-engineering of the process using new technology, further increases in trading volumes will soon result in serious capacity problems—which could ultimately compromise the equity markets."

T+1 will bring significant benefits including:

SYSTEM-WIDE

Reducing credit risk associated with unsettled trades will:

- free up capital
- strengthen our financial markets
- keep Canada competitive with the US and the rest of the world

SECURITIES MARKET PARTICIPANTS

Further automation of trade processing will:


- reduce credit exposure and operational risks associated

- with securities trades
- improve productivity
- reduce collateral requirements
- improve liquidity

CANADIAN INVESTORS

T+1 and greater automation will:

- reduce risk
- improve service
- increase liquidity
- support round-the-clock trading—anytime, anywhere—now demanded by a growing number of investors

To participate in testing in 2003 and achieve T+1 by mid-2004, organizations will have to start planning now to accommodate the required investment of time and money. The CCMA has developed a checklist for organizations within the investment industry to assess their preparedness for T+1. You can find this checklist along with more information on the move to T+1 at www.ccma-acmc.ca. 

In the Spotlight: Capital Markets Regulation

THIS SPRING, THE BCSC'S registration and compliance functions were merged into a new division called Capital Markets Regulation.

"The change reflects our greater emphasis on compliance within the registrant community," said Gerry Halischuk, the division's new director.

"Within our new division, we are now able to identify compliance-related issues more efficiently and deal with them more effectively

through education or disciplinary action than under the old organizational structure," he said.

"This means the commission is in a better position to serve the interests of investors and preserve the integrity of BC's capital markets."

Capital Markets Regulation is comprised of three branches with the following functions:

1. REGISTRATION & MARKET REGULATION


Reviews and processes applications for registration of all dealers, underwriters, advisers, and salespeople in BC who are not members of the Investment Dealers Association of Canada (IDA) or the Mutual Fund Dealers Association of Canada (MFDA).

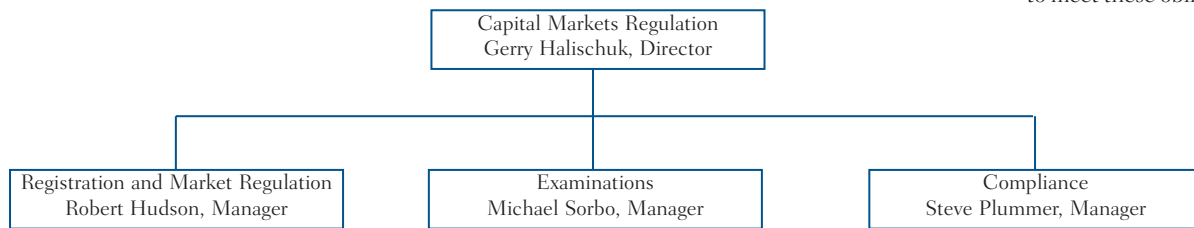
Also monitors and audits the regulatory functions of the IDA, MFDA and the Canadian Venture Exchange (CDNX).

2. EXAMINATIONS

Monitors the conduct and solvency of registrants to ensure compliance with securities legislation. This is done through the review of financial reports and on-site examinations.

3. COMPLIANCE

Works with registrants to help them understand and meet their compliance obligations. Compliance staff may recommend administrative sanctions when registrants fail to meet these obligations. 



IDA Update: The ABCs of the IDA

By Warren Funt,
Vice-President Member Regulation Western Canada, IDA

WHO IS THE IDA?

The Investment Dealers Association of Canada (IDA) is the national self-regulatory organization responsible for regulating the activities of investment dealers in terms of their capital adequacy and conduct of business. To qualify as a member firm, an organization must:

- meet stringent capital requirements,
- demonstrate the ability and willingness to conduct its business in a manner consistent with the laws, rules and regulations of the Association, and
- be subject to ongoing supervision.

Member firm employees who deal with the public must be appropriately licensed. Investor protection is a top priority.

Member regulation involves registration, financial compliance, sales compliance and enforcement. As a self-regulatory organization, the IDA is overseen by the BC Securities Commission, the securities regulator in this province. The association has the authority to prosecute individuals and firms who are suspected of wrong doing and, where fault has been proven, to impose penalties in the form of reprimands, fines, suspensions and expulsion from membership.

HOW HAS THE IDA CHANGED OVER THE LAST FIVE YEARS?

During the past five years, the Association's regulatory responsibilities in British Columbia have increased as the IDA assumed member regulation responsibilities formerly discharged by the Toronto Stock Exchange (TSE) and the Canadian Venture Exchange (CDNX). In February 1997, the TSE transferred responsibilities to the IDA. In January 2000, the CDNX formed in November 1999 by the merger of the Alberta and Vancouver exchanges, followed suit.


As a result of these regulatory developments, the number of registrants under IDA jurisdiction in BC increased nearly six-fold during the past five years, from 1,200 in 1996 to nearly 7,000 today. The number of member firms under the IDA's audit jurisdiction also increased significantly.

During the period 1997-2000, the IDA tripled the size of its staff and budget devoted to the Pacific District office to ensure our ability to meet these new regulatory challenges. Additional staff were hired by the Pacific office to conduct financial and sales compliance examinations, as well as to handle investigative and enforcement matters.

In particular, resources have been devoted to enhancing the registration process, an area that impacts everyone who sells and trades in the Pacific District. More recently, the association has made changes to its management structure to ensure that the decisions we make reflect regional needs and realities.

A new position of Vice-President Member Regulation Western Canada was created and Warren Funt, former Regional Director Pacific District, assumed the post.

IS THERE PACIFIC DISTRICT REPRESENTATION ON THE IDA BOARD?

The IDA Board of Directors also reflects Pacific District representation. At our recent annual meeting, Terry Salman, Chairman, Chief Executive Officer and President of BC-based Salman Partners Inc., was appointed Vice-Chair of the IDA Board. Terry and fellow BC residents Ross Sherwood, Odium Brown; Richard Rousseau, National Bank Financial Limited; and Public Director John Howard, QC, will join their colleagues on the IDA board, member firm delegates, and association guests at the IDA's 87th annual meeting and conference scheduled to take place in Whistler from June 16-18, 2002. 



Caught in the Act

Settlements, Hearings and

Breaches of Legislation

BROKERS WHO PUT SELF-INTEREST AHEAD OF CLIENT WELFARE RECEIVE SANCTIONS

In June, stockbrokers Robert Hartvikson and Blayne Johnson were banned from the BC securities market for a year and ordered to pay the maximum penalty of \$100,000 each, following a lengthy hearing into Cartaway Resources Corp.

The sanctions were levied after the commission found that the pair violated the *Securities Act* and were in a conflict of interest, had failed to act in the best interests of their clients and took personal advantage of their role in managing Cartaway Resources.

The commission found Hartvikson and Johnson acted in their own interest by withholding information from clients and the market while acquiring large blocks of Cartaway shares. 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 First Marathon Securities' Vancouver office.

The two stockbrokers are also barred from serving as directors and officers of any reporting issuer for one year. As well, the pair must successfully complete a course on the duties and responsibilities of directors and officers.

The two brokers have appealed the decision.

MUTUAL FUND SALESMAN BARRED FROM MARKET FOR 10 YEARS

A mutual fund salesman was barred from the BC securities market for 10 years after he defrauded two clients of more than \$31,000.

Abiodun Sofoluwe Sowemimo, a former employee with a Vancouver office of Investors Group Financial Services, admitted he had forged

the signatures of two clients in August 2000 and used \$31,498.14 for personal purposes, an act of fraud under the *Securities Act*. After investigating the fraud, Investors Group immediately dismissed Sowemimo and reimbursed the clients he defrauded.

LACK OF SUPERVISION COSTS MUTUAL FUND DEALER \$25,000

Ontario-based mutual fund dealer W.H. Stuart Mutuals Ltd. agreed to pay the commission \$25,000, including investigative costs, for its failure to supervise the activities of its sales staff or keep proper records.

As part of the settlement, W.H. Stuart also agreed to appoint an independent auditor to review compliance procedures at each of its BC offices.

The problems at W. H. Stuart came to light during a BCSC audit of the company's activities between 1995 and 1999.

Key findings of the audit include:

- Failure to maintain complete and accurate records of its business transactions,
- Failure to establish and apply written business procedures for dealing with clients,
- Failure to approve opening of new client accounts, and
- Failure to supervise transactions made for clients.

PACIFIC INTERNATIONAL SUMMONED TO HEARING

The commission will hear allegations that Vancouver-based Pacific International Securities Inc. and its directors ignored their duty as market "gatekeepers" and failed to investigate questionable client trades.

In a Notice of Hearing, BCSC staff allege that from July 1, 1995 to December 31, 1999, the investment dealer and its directors failed to take proper compliance action on account activity.

BCSC staff allege the *Securities Act* violations also include failure to:

- adhere to the know-your-client rule (Section 48), and
- establish and apply written prudent business procedures for dealing with clients (Section 44).


Commission staff also allege that Pacific International should have been tipped to the possibility of illegal conduct by certain activity in several client accounts.

US ONLINE BROKERS MUST PLAY BY CANADIAN RULES

A trio of U.S. online brokers have agreed to pay Canadian securities regulators more than \$2 million (Cdn) resulting from accepting and executing trades or orders on behalf of Canadian clients.

The three brokers, Datek Online Brokerage Services LLC, Ameritrade Inc., and TD Waterhouse Investor Services (US) admit they were not registered in Canada to execute trades or orders for Canadian residents. Securities legislation in each province requires that a dealer be registered before it can trade. Each has agreed to pay \$800,000.

Datek and Ameritrade also agreed to seek registration in the Canadian provinces and territories in which they have clients. In return, the companies have been granted exemptions to continue making trades on behalf of existing clients until September 30, 2001, providing they otherwise comply with the regulations.

TD Waterhouse (US) has transferred its Canadian clients to TD Waterhouse (Canada) as of December 18, 2000. 



Registered firm updates from March 31/01

Fidelity Investments Canada Ltd. was registered as a Portfolio Manager on July 19/01

Holdun Investment Management Inc. was registered as a Portfolio Manager on July 11/01

MD Private Investment Management Inc. was registered as a Portfolio Manager on April 6/01

Penson Securities Inc. changed its name to **Swift Trade Securities Inc.** on July 11/01

Rae & Lipskie Investment Counsel Inc. was registered as a Portfolio Manager on July 10/01

Solium Capital Online Inc. was registered as an Investment Dealer on Sept. 5/01

T.E. Investment Counsel Inc. was registered as a Portfolio Manager on July 10/01

New requirements enhance investor protection

THE BCSC AND CANADA'S OTHER securities commissions have adopted new requirements designed to increase protection for investors.


National Instrument 33-102, which came into effect August 1, 2001, replaced the former policy known as the Principles of Regulation. The former policy applied only to dealers owned by financial institutions or operating in their premises. The new rule applies to all registrants. It creates the following new requirements for registrants:

- You are required to provide your retail clients with a written warning about the risk of using leverage to finance the purchase of securities.
- You must hold all information about your retail clients confidential except where required or permitted by law, or by the bylaws of a self-regulatory organization, or where the client consents to the disclosure of the information,

- You are prohibited from making it a condition of supplying products or services that a person or company settle their account with you through that person's or company's account at a Canadian financial institution.

- You are prohibited from tied selling.

- If you conduct securities-related activities in a financial institution, you are required to disclose that purchased securities are not insured or guaranteed, that they may fluctuate in value and that you and the financial institution are separate entities.


The commission has repealed the requirement to file notices of networking arrangements. However, staff in our Capital Markets Regulation Division will continue to monitor any networking arrangements you have with financial institutions, insurers and other parties. 

BCSC encourages compliance officer networking

THE BCSC'S SECOND ANNUAL MEET & GREET FOR COMPLIANCE OFFICERS will be held at the Law Courts Inn on Tuesday, Sept. 25 from 4:30 p.m. to 7:30 p.m.

"This is part of our increased emphasis on compliance within the industry," says Gerry Halischuk, director of Capital Markets Regulation – the commission division hosting the reception.

"Our goal is to help industry compliance staff in their efforts. This is a good opportunity for compliance officers to meet one another, to speak with commission staff, and to hear about some of the initiatives commission staff have undertaken."

After last year's successful event, the BC Provincial Compliance Officer's Forum was developed so compliance officers of mutual fund dealers could hold regular meetings to discuss common issues and concerns throughout the year. For more information on the group, please contact the BC coordinator, Dawn Mattern at 604-437-6101. 

Industry conference to become annual affair

THE COMMISSION'S CAPITAL IDEAS CONFERENCE WAS SO WELL-RECEIVED BY INDUSTRY THAT THE BCSC PLANS TO MAKE IT AN ANNUAL EVENT, SAYS BCSC CHAIR, DOUG HYNDMAN.

"THE SECURITIES MARKETS ARE CHANGING FAST, AND SO IS THE BCSC AND its approach to regulation," said Hyndman. "The conference allowed us to inform the securities community about the challenges we face as a regulator, and provide a forum for industry participants to express their views and experiences."

Over 150 BC investment professionals attended the first Capital Ideas Conference hosted by the BCSC on Wednesday, June 6 at the Vancouver Renaissance Hotel.

CONFERENCE
Continued on page 8


CONFERENCE

Continued from page 7

The participation and feedback from industry – using a novel electronic survey machines – was positive, and the BCSC is acting on a number of suggestions to attract an even larger audience next year to a conference tentatively scheduled for the month of June.

“To address specific needs of specialized industry groups, such as registrants, securities lawyers, and accountants, we would like to develop break-out sessions at next year’s conference,” Hyndman said. “We hope to draw an even larger and

broader group of participants including registrants.”

Developments at the Canadian Venture Exchange made the keynote speaker a particularly timely choice. Barbara Stymiest, president and CEO of the Toronto Stock Exchange, discussed the TSE acquisition of the CDNX and the need for Canada to harmonize provincial regulation in order to compete globally. 

RESOURCES:

The BC Securities Commission has a number of resources available to help you and your clients.

Our website address: www.bsc.bc.ca

Brochures and related materials available include:

*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 BCSC for details on bulk orders.

THE Registrant



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