



Citation: 2022 BCSECCOM 227

## Settlement Agreement

### Bank of Montreal

#### *Securities Act, RSBC 1996, c. 418*

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Bank of Montreal (BMO) agree as follows:

#### **Agreed Statement of Facts**

##### ***Overview***

1. Between 2013 and 2017, BMO did not adequately supervise an employee (the Employee) who used one of its medallion stamps to guarantee signatures on securities transfer forms without ensuring that the signatures were authentic.
2. BMO's inadequate supervision permitted the Employee to engage in conduct that was contrary to the public interest because it facilitated illegitimate securities transfers and enabled market participants to hide the true state of share ownership for a number of publicly traded companies.

##### ***Background***

###### BMO

3. BMO is a multinational investment bank and financial services company.
4. The Public Companies Group was one of BMO's retail banking teams. It provides dedicated services to public companies and related personnel through BMO's Vancouver Main Branch at 595 Burrard Street.
5. The Employee worked in the Public Companies Group at the Vancouver Main Branch and had over 50 years' experience at BMO.

###### Transfers and transfer agents

6. Securities transfers are requests to cancel securities certificates registered in one name and to re-issue them in a new name to reflect changes in ownership (Transfers).
7. Public companies hire transfer agents to keep track of who owns its securities. Processing Transfers is one of the main functions of a transfer agent.

###### The STAMP Program

8. The Securities Transfer Agents Medallion Program (STAMP Program) is a signature guarantee program recognized and used by the financial industry and



supported and endorsed by the Securities Transfer Association of Canada, the specialized trade association for transfer agents.

9. Financial institutions participating in the STAMP Program (Guarantors) receive training and an imprint stamping device (Medallion) from the STAMP Program administrator. Each Medallion has a unique identifying number traceable to the Guarantor.
10. Affixing a Medallion to a securities transfer form is a guarantee to a transfer agent that the signatures on the form were properly obtained and the share transfer is authentic.
11. BMO and other financial institutions are STAMP Program Guarantors.

***Misconduct***

12. BMO authorized the Employee to use a Medallion.
13. From 2013 through August 2017, the Employee, at the request of various directors of publicly traded companies, used the Medallion to guarantee signatures on approximately 100 security transfer forms related to six small cap venture issuers, without ensuring that the signatures he was guaranteeing were authentic. Most of these guarantees were provided in 2014 and 2015.
14. Specifically, in providing the Medallion guarantees at issue, the Employee engaged in one or more of the following:
  - a) did not verify the registered owner's identity by meeting them in person, comparing their identification, and requiring them to sign in his presence;
  - b) accepted assurances from directors of the affected issuers that the signatures on the forms were those of the registered owners;
  - c) did not record the names of people whose signatures he guaranteed, the dates on which he did so, or the name of the issuer the certificates related to; and
  - d) did not record or retain copies of the documents he examined to demonstrate the validity of the guarantee.
15. The Employee's conduct during the relevant period left the Transfers system vulnerable to abuse by directors, who issued shares to nominees and used the Employee to guarantee Transfers back to themselves, or to others, when it was convenient to do so.
16. BMO knew that the Medallion guaranteed share transfers, but did not adequately supervise how the Employee used it. The inadequate supervision permitted the



Employee to engage in conduct that was abusive to the capital markets because it facilitated illegitimate securities transfers.

17. Specifically, BMO, and its supervisors acting on its behalf:
  - a) did not ensure that the Employee adhered to BMO's internal procedures and other pre-determined criteria to determine the authenticity of each signature he guaranteed;
  - b) did not confirm that the Employee kept records of his Medallion use or retained copies of documents he relied on to give guarantees; and
  - c) did not adequately audit the Employee's work to determine whether he was using the Medallion correctly.

***Factors relevant to settlement***

18. BMO's agreement to enter into this settlement enabled the Commission to avoid a potentially lengthy hearing to prove the conduct.
19. The Employee is retired. The Employee's supervisors from 2013 to 2017 are either retired or no longer work for BMO.
20. Since 2017, BMO has improved its supervisory practices and policies with respect to Medallions.
21. Since 2020, BMO's Public Companies Group no longer provides Medallion guarantees.
22. BMO fully cooperated with Staff throughout the investigation of this matter.

***Public Interest***

23. It is in the public interest that the Executive Director issue an order under section 161 of the Act.

**¶ 2 Order**

The Executive Director will issue an order under section 161(1) of the Act (the Order) that under section 161(1)(j), BMO be reprimanded.

**Consent to Regulatory Orders**

- ¶ 3 BMO consents to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any term of, or all of, the Order set out in paragraph 2 above.



**Waiver**

¶ 4 BMO waives any right it may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.

**Counterpart**

¶ 5 This Settlement Agreement may be signed in counterpart and all such counterparts of signed copies, whether delivered electronically or otherwise, shall be read or construed together as if they formed one originally executed document.

¶ 6 June 13 , 2022

¶ 7 Christine M. Cooper

¶ 8 **Bank of Montreal**

(per: Christine M. Cooper, Head, Canadian Commercial Banking  
Signing Authority)

Redacted )  
Witness Signature )  
Redacted )  
Witness Name (please print) )  
Redacted )  
Redacted )  
Address )  
Redacted )  
Occupation )

*Peter J Brady*  
*Jul 18 2022 2:56 PM -07:00*

¶ 9 Peter J. Brady  
Executive Director