

September 29, 2003

Warren Funt
Vice President
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Investment Dealers Association of Canada
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Dear Mr. Funt:

2002 British Columbia Securities Commission Enforcement Audit

Thank you for your letter dated June 27, 2003, and your comments about the British Columbia Securities Commission's (BCSC) 2002 audit of the Investment Dealers Association's (IDA) Enforcement activities. The following summarizes the BCSC's recommendations and expectations as a result of the audit:

1. Given that the IDA has increased its regulatory responsibilities, and that the Enforcement Department is now fully staffed, more enforcement results are expected. We acknowledge that the size and complexity of investigations, as well as joint investigation initiatives, should be considered in evaluating overall results. (*Pages 5 & 6*)
2. Place equal emphasis on both Member Firm and individual conduct during the course of all investigations. (*Page 5*)
3. Ensure that all Central Complaint Bureau (CCB) Complaint Officers and Enforcement Investigators are reviewing files for possible supervision issues related to individuals and firms as per section 8 of the IDA's Investigations Procedures Manual. Supervision issues should be reviewed on a timely basis to ensure that supervision issues are considered concurrently with other file allegations. Files should include documentation that details the extent of the supervision review. (*Page 9*)
4. Identify violation patterns and consider joining investigations where appropriate. (*Page 10*)

5. Ensure that a Registered Representative's (RR) departure from the industry is not the primary reason to close a file. Files should clearly document and explain the investigator's rationale for closing a file that concerns a RR who is no longer in the industry. *(Page 10)*
6. Continue to meet Key Performance Indicators (KPIs) in the CCB. *(Page 16)*
7. Continue to select appropriate files for enforcement action. The focus should continue to be on files that have the most serious violations. *(Page 27)*
8. Ensure that future backlogs in CCB and Investigations do not reappear and eliminate the backlog in Prosecutions. *(Page 27)*
9. Future staffing vacancies that persist beyond sixty days will require a written explanation to the Director of Capital Markets Regulation, detailing reasons why the position cannot be filled. *(Page 32)*
10. Maintain a record of all Sales Compliance Department (SCD) referrals. *(Page 33)*
11. Ensure that IDA staff are clear on the SCD/Enforcement referral process and increase the number of referrals and continue to improve coordination of information flows between the SCD and Enforcement. *(Page 34)*
12. Ensure that the SCD reviews are used as a tool for the early detection of problems in Member Firms. *(Page 34)*
13. Continue to advance the current proposal to revise IDA By-Law 19, which includes the requirement for the IDA to notify Member Firms when an investigation is commenced. *(Page 34)*
14. Develop the Complaints and Reporting Settlement System (COMSET) as a risk management tool. *(Page 36)*
15. Work with other Self Regulatory Organizations (SROs) to implement a consolidated disciplinary database for all SRO actions. *(Page 46)*
16. Update the Investigations Policies and Procedures Manual to include criminal investigations procedures. *(Page 49)*

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This concludes the 2002 Enforcement Audit. I would like to thank your staff and yourself for the cooperation provided during the audit.

Yours truly,

Steve Wilson
Executive Director