



British Columbia Securities Commission

Capital Markets Regulation Division
2003 Adviser Report Card
Examination Team

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By
Michael Sorbo, CFA

Foreword

Advisers are a critical and growing component of the securities industry. In recognition of the importance of the registered investment counsel and portfolio managers (ICPM's) category the Capital Markets Regulation Division (CMR) of the BCSC has put greater resources during the past into the examination of this sector.

This report is a summary of our recent examinations of the ICPM sector and is intended to help ICPM's establish and maintain a compliance environment that emphasizes high ethical standards and prevents securities violations. High ethical standards should help investment advisers keep the client as the central focus of their advising and consulting activities. An adviser's commitment to ethics is a reflection of its commitment to its clients.¹

During the past year we have done a complete sweep of our investment counsel (IC) firms and in addition reviewed many portfolio management (PM) firms. The report summarizes our findings from the 19 field examinations performed. These examinations were conducted between April 2002 and March 2003. This report is a follow-up to our first adviser sector report published in July 2001, titled *BC Portfolio Managers Report on Compliance Deficiencies*.

This report also attempts to raise discussion of some newer adviser issues and outline some common best practices to assist advising firms that may not have established a policy or procedures on a specific topic.

This report represents a step in the ongoing efforts of CMR to communicate perceived deficiencies to registrants to help them improve their written policies, procedures, internal controls and disclosures to clients. Investment advisers that are motivated to create a good 'compliance environment', improve the integrity of our markets and our investing public's confidence in the investment management industry.

Other ways CMR is communicating with investment advisers is through publishing its "The Registrant" newsletter and by hosting regular Adviser Forums, which are a meeting place for advisers to discuss regulatory issues or share their perspectives on current issues.

Lang Evans CA
Director, Capital Markets Regulation Division
British Columbia Securities Commission

¹ Eugene Flood, Jr. Smith Breeden Associates, Joseph Carrier speaking at AIMR Conference, 2003. aimrpubs.org

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Executive Summary

This report updates the key deficiencies staff identified in the past year and compares the current findings to our 2001 report. One of our goals is to clearly communicate our findings and perceived problem areas that relate to investment management firms. The most frequent item was policy and procedures manual deficiencies, which was encountered in 12 out of 19 firms. This was also the most common deficiency found in our 2001 report. Another common deficiency was firms registered in the wrong category: many of the IC firms we reviewed should have been registered as PMs.

In general, the frequency of many deficiencies declined, which shows the industry is making in-roads on the problems we have identified. Some examples of firms taking the initiative on compliance issues were:

- setting up a compliance committee,
- improving training and manuals,
- formalizing proxy procedures and improving client disclosures.

The most improved area was suitability and know-your-client (KYC) deficiencies that declined from 70% to 21% of firms under review. Other key areas of deficiency that declined by more than half were in the following areas:

- exempt distribution filings
- ineffective compliance officer function
- advertising and marketing
- personal trading issues
- conflict of interest disclosures

Some deficiencies that remained relatively unchanged between the two periods were in the following areas:

- unregistered advising staff
- capital calculation deficiencies
- leveraging, referral and the fairness of allocation disclosures

A summary of findings can be found in Appendix A.

PART 1: Overview of the Adviser Sector

The Investment management profession encompasses a large and diverse group. As of October 31 we have 205 ICPM firms registered in British Columbia. This number is up from 166 firms registered in 2001. Of these, eight are registered as IC's. The remainder are registered as PM's. The size of these firms varies tremendously with a few very large advisory firms in BC with billions in assets under management at one of the spectrum and numerous smaller firms at the other. The geographic location of the ICPM firms is also greatly diverse with 63 based in BC, 116 based in Canada outside of BC, and over 30 more based outside of Canada. Investment advisers also provide a variety of products with some handling small segregated accounts, others providing private pooled funds and yet others offering large prospectus mutual funds to clients.

Investment advisers have a fiduciary duty to clients and so the asset management business must be conducted in an environment of trust and ethics. Given the number of high profile scandals, adviser firms cannot ignore the importance and necessity of proper internal policies and written prudent business procedures. Advising firms should be proactive in reviewing some of the industry and regulatory discussion papers in areas as: best execution, corporate governance, soft dollars and investment performance standards.

ICPM's are in the business of advising or 'counselling' clients. Investment advice has been defined as the art and science of making decisions about: investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk vs. performance.² The distinction between ICPM's categories in BC is that only PM's can advise with full discretion. IC's, while providing similar advice, do not have full discretionary authority.

Traditionally advisers provide continuous and long-term services to clients based on criteria set out in a investment management agreement (IMA). Various client information as: objectives, constraints, risk-tolerance, time horizon is determined and an investment policy statement (IPS) is drafted which normally includes a target asset allocation. Investment advisers are normally compensated based on a percentage of assets held under management. By comparison, mutual fund dealers and brokerage firms are normally paid on a per-transaction basis. In general, fees for investment counselling and portfolio management services are lower than paid those paid for traditional mutual funds sold by mutual fund dealers and brokers. One of the reasons that "retail" mutual funds charge more is due to the trailer fee paid to representatives that can be 1.0% or more for some funds.

Another distinction of investment advisers is that an independent custodian or trust company normally holds funds managed. Advisers are also directly regulated by the BCSC and do not have a separate SRO. While advising firms are not members of Association of Investment Management and Research (AIMR), many of their employees are Chartered Financial Analysts (CFA's) who are members of AIMR. Some advising firms are members of Investment Counsel Association of Canada (ICAC). ICAC is the representative organization for Investment Counsel and Portfolio Managers in Canada.³

² Investopedia, <http://www.investopedia.com/terms/portfoliomanagement.asp>, Equade Internet Ltd.

³ www.investmentcounsel.org

Member firms are only in the business of managing investments for clients in keeping with each client's needs, objectives and risk tolerance.

Clients of investment adviser are also diverse and include: individuals, mutual funds, banks, pension funds, hedge funds, charitable organizations and provinces or municipal entities.⁴

Some Adviser Trends

- some traditional dealers are establishing affiliated portfolio managers and offering clients new advisory services.
- In response to recent scandals and media coverage, clients, regulators and advising firms are all increasing their focus on corporate governance issues and conflicts of interest.
- registration of more boutique firms offering diverse products such as: hedge funds, income trusts, non-prospectus pooled funds and ethical funds.
- more firms are establishing model portfolios and pooled funds as a way to more efficiently manage assets.

Common ICPM Deficiencies

The ten most common deficiencies noted in our reviews of ICPM's were:

1. Incomplete policies and procedures manual 63%⁵
2. Incorrect firm category of registration 63%
3. Fairness in allocation of investments disclosure 42%
4. Advertising and performance presentations 42%
5. Unregistered advising staff 37%
6. Record-keeping deficiencies 37%
7. Risks of leveraging disclosure 32%
8. Soft dollar issues 26%
9. Ineffective compliance program 21%
10. Suitability and KYC issues 21%

⁴ ICAA, Investment Adviser Rule Comments, July 2, 2003.

⁵ Percentage used is the amount of firms in which this deficiency was uncovered, based on the 19 examined.

Part 2: Common and Key Compliance Deficiencies

The common deficiencies and best practices outlined below include the policies, procedures and ethical practices we observed during our compliance examinations of the 19 firms reviewed in 2002 and 2003.

1. Incomplete policy and procedures manuals

– 12 of 19 exams

Development of a policy and procedures manual is critical in the management of an advising firm and the risks associated with your business. The manual should consider compliance matters in addition to operational matters such as client documentation, trading, soft dollar issues, proxy voting, valuation of securities, investment processes, portfolio rebalancing and new anti-money-laundering procedures.

To be effective, written procedures and practices should be specific to the firm.

BCSC staff often look to written policies as evidence that a registrant has properly addressed its compliance obligations.

Examples of manual deficiencies identified during compliance examinations include failure to:

- cover anti-money laundering procedures and proper verification of client identity
- outline requirements for personal trading and proxy voting practices
- include sufficient detail on important topics
- be up to date
- be specific enough to the practices at the advising firm.

Best Practices

- update the manual regularly.
- review and update the manual for changes in current regulation.
- ensure the manual covers how client portfolios are valued and monitored on an ongoing basis
- ensure anti-money-laundering guidelines are in place

2. Incorrect firm registration

– 12 of 19 exams

IC can provide advice, but only on a non-discretionary basis. However, in our sweep of IC firms, we found many that were providing advice on a discretionary basis. As outlined in BC's Registration policy 31-601, IC and PM firms are two distinct adviser categories of registration. IC's are not permitted to exercise discretionary management over client funds. IC firms that exercised full discretion were asked to amend their registration category to that of a portfolio manager.

Best Practices

Compliance officers should review our registration policy or contact BCSC staff if they are uncertain of the correct registration category.

3. Fairness in allocation of investments disclosure

– 8 of 19 exams

Section 44(1)(5) of the *Securities Rules* (Rules) requires that, as part of its business procedures, ICPM's must have written standards of fairness for the allocation of investment opportunities among its clients and must provide a copy of the standards to each client. This disclosure relates to the fair allocation of IPO and other securities to segregated client accounts and also to the distribution of securities among various pools or funds the firm manages.

Staff found that several advisers did not properly disclose the firm's "fair allocation of investment opportunities" policy, or did not develop a policy that was specific enough to provide useful information to clients. The disclosure should describe the procedures the firm uses to allocate securities to clients and in-house pools, as well as the pricing policy that applies.

Best Practices

ICPM's should develop a complete fairness of allocation policy disclosure that covers the following:

- the process for determining the allocation of "IPO"s
- how price and commissions are allocated on block trades
- how securities are allocated to institutional and private client accounts
- the process for allocating price and commissions when various trades are transacted through various brokers

4. Advertising and performance presentation

- 8 of 19 exams

Advertising and performance reporting is an area we look at because many advisers use performance numbers to attract new clients and retain existing clients. Performance presentations were found used predominantly in advertising, newsletters, quarterly reports and on websites. Some performance numbers lack key disclosure elements and are selective in terms of the periods used. ICPM's have a duty to deal fairly, honestly and in good faith with customers and clients. This extends to advertising representations and communications made through a public medium or to clients.

General Guidelines Followed by Examiners

- advertisement claims should not mislead clients or the public;
- misrepresentations are prohibited; advertising must contain true information
- advertisements should not be overly promotional
- whether an advertisement is misleading will depend on all of the facts including the form as well as the content of communication;

Typical problems found during reviews include:

- inadequate internal marketing and performance presentation procedures
- performance data is only used for select periods, which is misleading
- use of performance figures for a sample of clients and purporting that this is overall firm performance
- performance figures that are not adjusted for in-period transactions or cash flows
- providing only quarterly performance numbers instead of quarterly and annual performance figures for individual accounts or pools

- references claiming compliance with AIMR Performance Presentation Standards (PPS) were used when the adviser did not follow AIMR disclosures
- lack of internal or independent review of calculations

Best Practices

- develop proper marketing guidelines and ensure they are followed
- follow AIMR-PPS standards
- ensure staff who are familiar with regulations and AIMR-PPS standards approve marketing
- adopt or follow National Instrument NI 81-102, part 15 disclosures
- ensure adequate and complete disclosure accompanies marketing where the material would be considered misleading otherwise.
- follow or adopt the US and Canadian versions of GIPS Global Investment Performance Standards Handbook
- regularly review performance presentation to ensure its complete and updated, and is not misleading to clients

5. Unregistered advising staff

– 7 of 19 exams

As specified by section 34 of the *BC Securities Act (Act)*, a person engaging in the act of advising must be registered with the BCSC, unless an exemption applies. Registered firms must ensure that staff who conduct "registerable" activities in the province are registered as required under the Act.

Staff observed many advisers who provided advice and held themselves out as portfolio managers that were not registered as advisers. Some of these individuals were relationship managers who dealt directly with clients, set up asset allocations and implemented portfolio strategy plans. Given that there can be many steps in the portfolio management process, it is understandable that one portfolio manager may be limited to certain steps. Nonetheless, those relationship managers who provide advice to clients are still engaging in advising activities, which require registration.

The following questions should be considered:

- does the person provide advice (security selection, security pool selection or strategies) to clients, either directly or indirectly?
- does the person represent him or herself to clients as an adviser.
- does the person offer an opinion about the investment merits of securities (including pools)?
- does the person have supervisory or other compliance duties that relate to dealing or advising in securities?
- does the person receive compensation based on assets under management?

Best Practices

- the firm has clearly established defined guidelines on what "registerable" activities.
- the firm discusses them with all new employees of the firm.
- guidelines are communicated clearly to all managers.
- if an employee conducts registerable activities, they are registered promptly with the BCSC.

6. Record-keeping deficiencies

– 7 of 19 exams

The increased volume of investment activity in the market coupled with regulatory requirements and the public's demand for information and accountability has generated a need for extensive and detailed record-keeping. As technology advances, more records are being stored electronically as opposed to hard-copy format.

During our reviews, staff observed the following:

- the books and records were incomplete or inaccurate
- the ICPM failed to have procedures in place to ensure records are maintained for seven years
- a certificate of incorporation, a corporate resolution and a list of directors is not obtained for all corporate accounts.
- trade records detailing instructions from the portfolio manager to the trade desk are not kept
- records relating to monthly capital calculations were not maintained.

Best Practices

- the firm develops checklists to ensure gathering of documentation is complete for client accounts
- the firm obtains corporate charters or resolutions authorizing trading for corporate accounts
- the firm reviews sections 29-41 of the Rules in order to become familiar with standard investment management records required under securities legislation.

7. Risks of leveraging disclosure

– 6 of 19 exams

We observed that some firms did not ask clients if the funds they were investing were borrowed funds. Others did not provide clients with the standard leverage disclosure outlined in National Instrument (NI) 33-102. This disclosure outlines to clients that using borrowed money to finance the purchase of securities involves greater risk than using cash purchases. Such disclosure is particularly important in light of section 14 of the Rules, which requires registrants to “deal fairly, honestly and in good faith” with their clients.

Best Practices

- review your current disclosures to ensure the leverage disclosure and others provide clients with information they need to make investment decisions.
- client disclosures enable clients to make informed decisions about entering into the relationship with an adviser.

8. Soft dollar issues

- 5 of 19 exams

Soft dollar practices involve agreements and the use of client brokerage by an adviser or investment manager to obtain certain products and services to aid the manager in its decision-making process.⁶

During our reviews, staff observed the following:

- some advisers failed to provide full and fair disclosure of their use of clients' brokerage
- some advisers paid much higher brokerage fees than were necessary. This showed that the firms were not cost-conscious about trading fees. This is not in the best interest of an adviser's clients or fund unit-holders.
- advisers failed to disclose soft dollar practices to clients
- advisers failed to create and provide a soft dollar disclosure document to clients or failed to disclose the disclosure document was available on request
- soft dollars were directed to related parties
- soft dollars were used to pay for non-traditional research services

Best Practices

- establish a compliance committee that has a policy and limits on soft-dollar expenditures
- make this committee responsible for approving soft dollar arrangements and create a standard disclosure document for clients
- AIMR has established standards to provide guidance on soft-dollar issues; review and adopt AIMR soft dollar standards (www.aimr.com)
- be prudent and cost conscious when investing on behalf of clients
- if the firm is unclear what firm expenditures relate to research, contact AIMR or BCSC staff for further guidance.

9. Ineffective compliance program

– 4 of 19 exams

An ineffective compliance program is one where the portfolio manager has not established proper compliance procedures. Such a program increases the risks of neglecting clients and violating securities laws.

Some specific steps to establishing an effective program include:

- understand all compliance obligations and regulatory requirements
- implement a compliance program in the workplace
- train managers to understand professional codes and ethical standards
- draft and distribute a written compliance policy and procedures manual
- establish effective supervision and enforce policies and procedures

Best Practices

- hire a competent compliance officer to oversee compliance practices
- establish a compliance committee

⁶ *AIMR Standards of Practice Handbook*, Eighth Edition, Topical Study: "Ethical Practices Involving Client Brokerage", p. 171

- provide in-house training which guides staff through ethical and compliance concerns
- send staff with compliance duties to industry conferences to they can upgrade their skills and knowledge in areas of: ethics, corporate governance, best execution and proxy issues.
- ensure the manual and procedures are enforced at your firm
- investigate all complaints and “red flags” that arise

10. Suitability and KYC issues

– 4 of 19 exams

Advisers are responsible for learning the essential facts about every client, developing an investment strategy for each client and implementing it. Investment advice and strategies should be based on the documented client investment objectives. These are normally documented on an IPS or KYC form.

As most portfolio managers have full discretionary authority over their clients’ assets, they also have a fiduciary duty to exercise due care, skill, prudence and diligence in managing these assets. ICPM’s should pay particular attention in designing strategies that show they will manage and allocate a client’s funds across various investment opportunities.

In our review, we found advisers to be deficient for the following reasons:

- incomplete KYC forms or investment policy statements
- forms that failed to adequately address client objectives, constraints and risk tolerance
- outdated client information forms
- no plan or policy to update KYC in a timely manner
- the IPS failed to identify asset mix parameters
- although terms of the client contract or client strategies had changed, the client contract or IPS were not updated accordingly

Best Practices

- the ICPM adopts procedures to ensure client IPS or KYC forms are up to date and complete
- the IPS and proposed asset allocation is signed by the client.
- relevant client instructions are documented and dated in client information systems or on client forms
- forms are updated and approved by clients in a timely manner

11. Inadequate fee disclosures

– 4 of 20 exams

We look at advising firms’ fee disclosures to ensure that client have been provided with full transparency with regards to direct and indirect fees charged.

We found various deficiencies related to fees:

- a fee schedule is not provided
- the method of fee calculation is not provided
- fees charged were not consistent with the rate stated in the advisory agreement

- clients provided with similar services and had a similar amount of assets invested were charged different fees
- the firm did not disclose the amount of direct/indirect fees charged in an appropriate manner
- firms failed to provide indirect fees such as pool MER's to clients in an user friendly manner

Best Practices

- the firm clearly outlines in its client information package how fees are charged
- the firm provides clients with a fee schedule and has client's sign-off once they have received the schedule
- the fee schedule clearly outlines fees, rebates where applicable, and how management fees are calculated
- client's are provided with an option of receiving a fee invoice. Client statements or client invoices provide full transparency with respect to fees, other charges and rebates that are assessed to clients

12. Personal trading issues

– 4 of 19 exams

ICPM's should establish and monitor written procedures and policies for the personal trading of securities by certain employees and advisers at the firm. This ensures that conflicts of interests, front-running and other poor practices are avoided. Staff carefully reviews all the supporting documentation relating to personal trades. Some ICPM's had procedures and policies in place but failed to enforce them. In some cases, registered staff was unsure of the details of their firm's personal trading policy. Some firms had trade records for only some employees and neglected to obtain information from partners. Firms were also found to have no formal pre-approval process for personal trading.

Best Practices

- designate an officer to be in charge of reviewing and maintaining personal trading records
- distribute clear, written personal trading restrictions and reporting obligations to all employees of the firm
- have employees instruct their brokers to send a client statement directly to their employer
- have appropriate staff pre-clear personal trades
- maintain evidence of review of personal trade records

13. Monitoring capital level and financial statements

– 4 of 19 exams

ICPM firms must monitor capital on a monthly basis to ensure it meets minimum requirements. Staff review financial statements to ensure they are completed in accordance with generally accepted accounting principles (GAAP) and that calculations are completed in accordance with the format in BC Form 33-905F –the report of working capital. Your forms and back-up should be readily available for inspection during an examination.

Our examinations found some advisers failed to complete capital calculations on a monthly basis. Others did not use accrual accounting. For example, our examinations found that some firms were:

- using an incorrect minimum capital level
- including related party receivables in the working capital calculation
- using a cash basis instead of an accrual basis, and
- using an incorrect bond deductible amount

Best Practices

- the ICPM calculates its working capital on a monthly basis in the proper form
- the ICPM prepares financials in accordance with GAAP
- maintain adequate books and records to support the financial reports.
- always use accrual accounting
- keep up-to-date files for subordination agreements
- file any new subordination agreements with the BCSC

14. Ineffective compliance officer function

– 3 of 19 exams

ICPM's must appoint compliance officers who are responsible for ensuring the firm has effective supervisory and other compliance procedures in place. Compliance officer responsibilities include:

- ensuring the firm and its employees comply with current laws and regulation
- supervising and enforcing compliance policies at firm
- updating compliance manuals and provide ongoing training to staff
- handling client complaints in a timely manner
- reviewing daily trading and ensuring best execution
- regularly addressing disclosures and risk management

Without qualified and capable compliance staff in place, an advising firm may be inadvertently raising its business risks. The compliance officer must have the support of senior management to implement and maintain an effective compliance program.

Best Practices

The compliance officer:

- establishes a compliance committee that annually reviews compliance practices at the firm on an annual basis
- ensures that registered staff understand the proper procedures to follow and there is an updated manual
- conducts annual presentations to employees on various internal control and compliance issues
- attends regular industry conferences to help him or her keep abreast of current issues and topics

Other areas of deficiency and issues we focus on in examinations

- **Lack of trade blotter**

An important part of a portfolio manager's compliance program is the review of trading activity and trade practices. The trade blotter is a key document and record of the trade review process.

- **Inadequate conflict of interest disclosure**

Conflicts of interest arise frequently in the securities industry and can be unique to each firm. Conflicts that advisers cannot avoid should be managed appropriately. To provide transparency to clients, advisers must fully disclose all conflicts of interest and potential conflicts of interest that you know. Failure to disclose conflicts may have potential legal consequences or may cause your firm's reputation to be harmed. AIMR requires that firms make full, true and complete disclosure to clients and prospects of all conflicts of interest.

- **Proxy voting procedures and disclosures**

Staff observed that some firms have no proxy voting policy or procedures in place. The best way for a firm to participate in the corporate governance process is through the voting rights attached to the shares you own or control on behalf of your clients. Firms should develop proxy-voting guidelines. Review AIMR and other websites for proxy-voting guidelines.

- **Point of sale disclosures**

Staff observed that some firms fail to provide adequate point-of-sale disclosures to clients about: direct and indirect fees, investment risks and referral arrangements. This is because the firm believes they can make adequate disclosure on these and other issues in a lengthy prospectus, offering memorandum or financial statements. However, these may not be readily provided to clients and may be cumbersome to read. Ultimately, advisers need to review their disclosure methods to determine if they are in the best interests of their clients.

- **Anti-Money laundering procedures and verifying the identity of clients**

Staff have observed that while some advisers are aware of new Proceeds of Crime and Anti-Money Laundering legislation, the firm's may not have either updated their policies or implemented related training programs. Money laundering procedures must be formalized and incorporated into policy manuals. Guidelines for this are available on the FINTRAC website at: www.fintrac.gc.ca

Closing

We hope this report will give you tools and highlight specific areas that each of your firms can work on to improve your compliance program. We encourage you to self-assess and test your own internal compliance systems. Please provide us with any comments you have on the report.

Contact information

For further information, please contact one of the managers in Capital Markets Regulation:

Registration

Robert Hudson
Manager Registration
rhudson@bcsc.bc.ca
tel: 604-899-6691

Examinations

Michael Sorbo
Manager Examinations
msorbo@bcsc.bc.ca
tel: 604-899-6689

Compliance

Steve Plummer
Manager Compliance,
splummer@bcsc.bc.ca
tel: 604-899-6602

The toll free number in BC is: 1-800-373-6393

Appendix A

SPREADSHEET OF COMPLIANCE DEFICIENCIES IDENTIFIED DURING EXAMINATIONS																				
The purpose of this chart is to show the major deficiencies found during the examination of 19 ICPM firms registered in British Columbia.																				
	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Totals
Examinations 2002-03	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Totals
MAJOR COMPLIANCE DEFICIENCIES																				
Incomplete policy and procedures manual	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
Registration - incorrect category	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
Fairness in allocation disclosure	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	8
Unregistered advising Staff	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	7
Record-keeping & documentation deficiencies	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	7
Risk of leveraging disclosure	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	6
Soft dollar practices (& disclosures)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5
Ineffective overall compliance program	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	4
Suitability & KYC issues	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	4
Advertising, website and performance pres.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	8
Fee disclosures & calculations	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	4
Personal trading issues	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	4
Capital level & calculation	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	4
Ineffective compliance officer function	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3
Lack of trade blotter	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3
Registration - failure to register branch offices	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3
Conflicts of interest disclosures	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3
KYC forms & lack of disclosures	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3
Shareholder communication disclosure	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3
Late filings and financial statement disclosure	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3
Trade execution (processing)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3
Inadequate Training Program	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2
Research records (supporting evidence)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2
Referral arrangements	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2
Obligation to send prospectus	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2
Lack of proxy voting policies	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2
Commingling of client funds	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2
Insider reporting obligations/procedures	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2
Anti Money-Laundering procedures	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2
Commissions to unregistered entities	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Representative agreement	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Out-of-province / non-resident clients	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Exempt dist. filing obligations (Form 45-902F)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Lack of Complaint practices	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Total deficiencies found:	12	3	4	1	3	5	5	17	9	16	11	6	23	1	3	2	2	5	2	130