



British Columbia Securities Commission

2006 Adviser Annual Report Capital Markets Regulation Division Common Deficiencies

The Examination Team of Capital Markets Regulation of the BC Securities Commission provides this report of compliance findings for adviser (ICPM) examinations conducted from April 1, 2005 to March 31, 2006.

This report aims to provide transparency on our compliance findings and to assist firms in assessing their own compliance culture. The deficiency percentages provided are for information only. These percentages can vary each year due to differences in firms' operations, products, sizes, and compliance history.

Common ICPM Deficiencies

These common deficiencies are shown under broad headings and are not meant to imply that firms have compliance issues in all areas. A strong compliance program should be part of every firm's compliance culture. Strong compliance equates to having in place sound corporate governance structure, proper risk control measures, and competent management practices.

The following is the top ten most common deficiencies in 2006. We included the percentages for each deficiency in 2005 for comparison.

	Compliance Deficiency	Fiscal 2006	Fiscal 2005	Change
1	Policies and procedures manual	57%	76%	-19%
2	Know-your-client and suitability information	57%	65%	-8%
3	Capital monitoring	57%	35%	22%
4	Disaster recovery and business continuity	43%	6%	37%
5	Advertising, marketing and holding out	38%	30%	8%
6	Conflicts of interest and personal trading	33%	18%	15%
7	Out-of-province or non-resident clients	33%	24%	9%
8	Trade execution	33%	0%	33%
9	Client agreements and contracts	29%	6%	23%
10	Disclosure issues	29%	59%	-30%

We track and analyze common deficiencies to highlight areas of regulatory concern so we can take appropriate action to improve compliance. We may also use other compliance tools to monitor firms.

Contact Information

Michael Sorbo, CGA, CFA
Manager Examinations
msorbo@bcsc.bc.ca
604-899-6689

Nirwair Sanghera CGA
Securities Examiner
nsanghera@bcsc.bc.ca
604-899-6861

Lena Lew
Administrative Assistant
llew@bcsc.bc.ca
604-899-6650

Janice Leung, CA, CFA
Senior Securities Examiner
jleung@bcsc.bc.ca
604-899-6752

Edwin Leong
Securities Examiner
eleong@bcsc.bc.ca
604-899-6682

Fax: 604-899-6506
Toll free number (BC only):
1-800-373-6393