



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
IPC SECURITIES CORPORATION and
IPC INVESTMENT CORPORATION**

STATEMENT OF ALLEGATIONS

(Section 127 of the *Securities Act*, R.S.O. 1990, c. S.5)

A. ORDER SOUGHT

Staff of the Enforcement Branch (**Commission Staff**) of the Ontario Securities Commission (the **Commission**) requests that the Commission make an order pursuant to section 127 of the *Securities Act* to approve the settlement agreement dated June 5, 2018 (the **Settlement Agreement**), on a no-contest basis, between Commission Staff and IPC Securities Corporation (**IPCSC**) and IPC Investment Corporation (**IPCIC**) (collectively, the **IPC Dealers**).

B. FACTS

Commission Staff make the following allegations of fact:

(a) THE RESPONDENTS

1. IPCSC is a corporation incorporated pursuant to the laws of Ontario. IPCSC is a member of the Investment Industry Regulatory Organization of Canada (**IIROC**) and is registered with the Commission as an investment dealer.

2. IPCIC is a corporation incorporated pursuant to the laws of Ontario. IPCIC is a member of the Mutual Fund Dealers Association of Canada (**MFDA**) and is registered with the Commission as a mutual fund dealer and an exempt market dealer.

3. Each of the IPC Dealers is a subsidiary of Investment Planning Counsel Inc., which is a subsidiary of IGM Financial Inc.
4. Counsel Portfolio Services Inc. (**Counsel**) is also a subsidiary of Investment Planning Counsel Inc. and is the manager of the Counsel mutual funds (**Counsel Funds**).

(b) BACKGROUND

5. In March 2015, IPCSC self-reported to IIROC Staff and IPCIC self-reported to MFDA Staff certain inadequacies in their systems of controls and supervision which formed part of their compliance systems and, in May 2015 and thereafter, the IPC Dealers met with Commission Staff to discuss these matters which resulted in the identification and reporting of an additional control and supervision inadequacy (collectively the **Control and Supervision Inadequacies**). These Control and Supervision Inadequacies resulted in certain clients of the IPC Dealers paying, directly or indirectly, excess fees that were not detected or corrected by the IPC Dealers in a timely manner.
6. Commission Staff do not allege, and have found no evidence of dishonest conduct by any of the IPC Dealers.
7. When the IPC Dealers met with Commission Staff regarding the Control and Supervision Inadequacies, the IPC Dealers had formulated an intention to pay appropriate compensation to eligible clients and former clients.
8. The IPC Dealers have taken corrective action, including implementing additional controls, supervisory and monitoring systems designed to prevent the re-occurrence of the Control and Supervision Inadequacies in the future.
9. Some clients of the IPC Dealers have fee-based accounts and are charged a fee for investment services received in respect of assets held in the account (**the Fee-Based Accounts**). The investment services fee is either a flat fee or based on the client's assets under management (**the Account Fee**).
10. Counsel, an affiliate of the IPC Dealers, manages the Counsel Funds, some of which are available in different series. For certain of the Counsel Funds, there were two series

(Premium and Non-Premium) of the same mutual fund which differed solely in that the Management Expense Ratio (**MER**) of the Premium series, which had a higher minimum investment threshold, was lower than the MER of the Non-Premium series.

(c) THE IPC DEALERS' CONDUCT

11. The Control and Supervision Inadequacies are summarized as follows:

- a. for some clients of the IPC Dealers with Fee-Based Accounts, assets held in their Fee-Based Accounts included certain mutual funds, exchange traded funds, and structured products with embedded trailer fees (collectively **Trailer-Paying Assets**) and/or certain Counsel Funds with negotiable advisory fees resulting in some clients paying excess fees because the IPC Dealers received: trailer fees during the period (i) January 1, 2009 to September 30, 2016 for IPCSC clients and (ii) January 1, 2009 to March 31, 2017 for IPCIC clients; and, negotiable advisory fees during the period January 1, 2009 to December 31, 2017 for clients of the IPC Dealers, in addition to the Account Fee;
- b. for some clients of the IPC Dealers with Fee-Based Accounts under programs which classify assets for fee-billing purposes, assets held in their Fee-Based Accounts included certain Trailer-Paying Assets which were incorrectly included in Account Fee calculations, resulting in some clients paying excess fees for the period (i) July 1, 2013 to April 30, 2016 for IPCSC clients and (ii) May 1, 2015 to April 30, 2018 for IPCIC clients; and
- c. some clients of the IPC Dealers were not advised that they qualified for a lower MER series of a Counsel Fund, the Premium series, and indirectly paid excess fees when they invested in the higher MER series of the same mutual fund, the Non-Premium series, during the period November 1, 2009 to October 31, 2016.

C. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

Commission Staff allege the following breaches of Ontario securities law and conduct contrary to the public interest:

1. With respect to the Control and Supervision Inadequacies, the IPC Dealers failed to establish, maintain and apply procedures to establish controls and supervision:
 - a. sufficient to provide reasonable assurance that the IPC Dealers, and each individual acting on behalf of the IPC Dealers, complied with securities legislation, including the requirement to deal fairly with clients with regard to fees; and
 - b. that were reasonably likely to identify the non-compliance described in a. above at an early stage and that would have allowed the IPC Dealers to correct the non-compliant conduct in a timely manner.
2. As a result, these instances of Control and Supervision Inadequacies constituted a breach of section 11.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. In addition, the failures in the IPC Dealers' systems of controls and supervision associated with the Control and Supervision Inadequacies were contrary to the public interest.

DATED at Toronto, June 5, 2018

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