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FACSIMILE TRANSMISSION COVER SHEET

TO: Josée Turcotte
Ontario Securities Commission

FAX: 416-593-2318

FROM: Kevin Richard
Groia and Company Professional
Corporation

RE: Argosy Securities Inc. and
Keybase Financial Group Inc.

DATE: September 14, 2015

PHONE: 416-203-2115

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SEP 14 2015

Ontario Securities Commission
SECRETARY'S OFFICE

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Kevin Richard
Tel: 416-203-4485
Email: krichard@groiaco.com

September 14, 2015

VIA EMAIL (jturcotte@osc.gov.on.ca)
AND FACSIMILE 416-593-2318

Josée Turcotte
Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, ON M5H 3S8

Dear Ms. Turcotte:

Re: Argosy Securities Inc. and Keybase Financial Group Inc.

We act for Argosy Securities Inc. ("Argosy") and Keybase Financial Group Inc. ("Keybase").

On or about March 3, 2015, following a compliance review of Argosy and Keybase conducted pursuant to section 20 of the *Securities Act*, R.S.O. 1990, Ch. S. 5 (the "*Act*"), Staff of the Ontario Securities Commission (the "Commission") recommended to the Director that the registrations of Argosy as a dealer in the category of investment dealer and of Keybase as a dealer in the categories of mutual fund dealer and exempt market dealer be subject to terms and conditions, including the requirement to retain, at their own expense, an independent compliance consultant (the "Consultant") that is approved by the Commission.

Argosy and Keybase each exercised their right to an opportunity be heard (the "OTBH") pursuant to section 31 of the *Act*. The OTBH was conducted, in person, on July 20, 2015. Written closing submissions from Staff were delivered on July 30, 2015 and from Argosy and Keybase on August 6, 2015.

On August 18, 2015, the Deputy Director, Marianne Bridge, issued her decision on the OTBH in which she ordered terms and conditions be placed on the registration of Argosy and Keybase (the "Director's Decision").

A copy of the Director's Decision is attached as Schedule "A".

A copy of Staff's March 3, 2015 letter which encloses as Exhibits "A" and "B" Staff's recommendations for Argosy and Keybase, respectively, is attached as Schedule "B".

As Argosy and Keybase are directly affected by the Director's Decision, please accept this letter as a formal request for:

Groia & Company Professional Corporation ■ Lawyers
Wildeboer Dellelce Place
365 Bay Street, 11th Floor
Toronto, Ontario M5H 2V1
Tel: 416-203-2115 Fax: 416-203-9231
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1. A hearing and review of the Director's Decision pursuant to subsection 8(2) of the Act; and,
2. A stay of the Director's Decision pending the disposition of the hearing and review pursuant to subsection 8(4) of the Act.

The grounds for the request for a hearing and review are as follows:

- a) The Director erred by overlooking material evidence submitted by Argosy and Keybase and by failing to give due consideration and weight to material evidence submitted by Argosy and Keybase;
- b) The Director erred in law, proceeded on an incorrect principle and overlooked material evidence in failing to properly consider the "stale-dated" nature of the Compliance Review;
- c) The Director erred in law and proceeded on an incorrect principle by failing to provide adequate reasons to explain the basis for accepting Staff's recommended terms and conditions in their entirety;
- d) The Director proceeded on an incorrect principle by failing to properly consider the prematurity of imposing the terms and conditions requested by Staff at this time and the Director's Decision is inconsistent with the public interest;
- e) The Director erred in law, proceeded on an incorrect principle and overlooked material evidence in failing to properly consider the steps taken by Argosy and Keybase that addressed the items set out by Staff in the Compliance Review;
- f) The Director erred in law and proceeded on an incorrect principle by failing to properly consider the harm caused to Argosy and Keybase as a result of the terms and conditions requested by Staff;
- g) The Director erred in law, proceeded on an incorrect principle and overlooked material evidence in failing to consider that Staff did not seek the imposition of terms and conditions on the registration of either Argosy or Keybase in the more than 12 months between the commencement of the Compliance Review and the delivery of the March 3, 2015 correspondence proposing terms and conditions;
- h) The Director erred by overlooking material evidence regarding the level of cooperation demonstrated by Argosy and Keybase during the Compliance Review in or around February 2014; and,
- i) Such further and other grounds as counsel may advise and the Commission may permit.

The grounds for the request for a Stay of the Director's Decision:

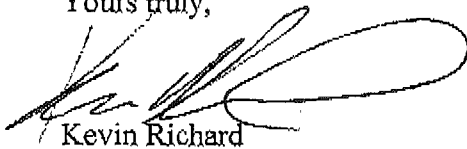
- a) Argosy is currently registered as a dealer in the category of investment dealer and Keybase is currently registered as a dealer in the categories of mutual fund dealer and exempt market dealer;
- b) There is no evidence that the public is currently at risk from Argosy and Keybase;

- c) This request for hearing and review raises serious issues to be tried;
- d) The hearing and review would be rendered moot if Argosy and Keybase were forced to retain a Consultant at their own expense while waiting for the hearing and review;
- e) If Argosy and Keybase were successful in whole or in part on the hearing and review, they would suffer irreparable harm if the stay were not granted;
- f) In the circumstances, it is in the public interest to grant a stay of the Director's Decision pending the disposition of the hearing and review; and,
- g) Such further and other grounds as counsel may advise and the Commission may permit.

Given that the Director's Decision is of immediate effect, we request that our clients' request for a stay be heard by the Commission on an urgent basis.

Should you have any questions, please do not hesitate to contact me.

Yours truly,



Kevin Richard

Enclosure

cc.: Michael Denyszyn (via email)

Schedule "A"

In the Matter of Staff's Recommendation to Impose Terms and Conditions on the Registrations of Argosy Securities Inc. and Keybase Financial Group Inc.

Opportunity to be heard by the Director under Section 31 of the *Securities Act* (Ontario)

Decision

1. For the reasons outlined below, my decision is to impose the terms and conditions on the registrations of Argosy Securities Inc. (**Argosy**) and Keybase Financial Group Inc. (**Keybase**) as recommended by staff (**Staff**) of the Compliance and Registrant Regulation Branch (**CRR**) of the Ontario Securities Commission (**OSC** or **Commission**) with the changes noted below:
 - a. "April 1, 2015" in term and condition 1 is amended to "September 15, 2015", and
 - b. "May 1, 2015" in term and condition 2 is amended to "October 15, 2015".
2. My decision is based on the materials provided to me at or prior to the opportunity to be heard (**OTBH**), the verbal arguments of both counsel at the OTBH, the testimony of the seven affiants, and the written closing submissions of both counsel.

Background

3. By letter dated March 3, 2015, Staff advised Argosy and Keybase (collectively, the **Registrants**) that Staff had recommended to the Director that the registrations of Argosy (as a dealer in the category of investment dealer) and of Keybase (as a dealer in the categories of mutual fund dealer and exempt market dealer) be subject to substantially similar terms and conditions. The proposed terms and conditions required the hiring of a common independent consultant (**Consultant**) to recommend changes to the Registrants' governance structure and compliance resources. The proposed terms and conditions contained provisions requiring:
 - a. progress reports from the Consultant to Staff and to staff of either the Investment Industry Regulatory Organization of Canada (**IIROC**) or the Mutual Fund Dealers Association of Canada (**MFDA**), as applicable,
 - b. an attestation letter from the Consultant that its recommendations have been implemented and tested,
 - c. unrestricted access by Staff and staff of the IIROC or the MFDA, as applicable, to the Consultant, and
 - d. a follow up report by the Consultant to Staff.
4. Pursuant to section 31 of the *Securities Act* (Ontario), each of Argosy and Keybase were entitled to an OTBH before the Director decides whether to accept Staff's recommendations. The joint OTBH with respect to these matters commenced on July 20, 2015. On July 20, verbal submissions were provided by Michael Denyszyn (Senior Legal Counsel, CRR) on behalf of Staff, and by Joseph Groia and Kevin Richard (Groia and Company) on behalf of the Registrants. In addition, six of seven affiants (listed below) provided verbal testimony. Written closing submissions from Staff were received on July 30, 2015, and from Groia and Company on August 6, 2015. The six affiants that provided verbal testimony were:
 - a. Stratis Kourous, Senior Accountant, CRR
 - b. Noel Sequeira, Manager of Business Conduct Compliance, IIROC
 - c. Irene Cheung, Manager of Financial Compliance, MFDA
 - d. Dorin Boeriu, Chief Compliance Officer (CCO), Argosy
 - e. Betty Jo Royce, CCO, Keybase, and
 - f. Dax Sukhraj, 100% owner and Ultimate Designated Person (UDP) of each of Keybase and Argosy.

Issues discussed during the OTBH

Does the Director have the authority to impose terms and conditions?

5. Staff submitted (and Keybase and Argosy do not take issue with this point) that the Director has the authority to impose terms and conditions. The question at hand is whether I, as Director, should exercise this authority.

Should terms and conditions be imposed on the registrations of Keybase and Argosy?

6. Staff argued that the proposed terms and conditions are a “responsive, flexible and respectful regulatory response” to the pattern of non-compliance with Ontario securities law and with the requirements of the respective self-regulatory organizations (collectively, **Securities Law**) of both Argosy and Keybase. Counsel to the Registrants argued that I was being asked to make a decision based on “ancient history” and that the terms and conditions recommended by Staff are “somewhat harsh”, “will cause real harm” and are a “blunt instrument”. They also argued that any concerns that Staff had at the time of its 2014 review of the Registrants with regard to inadequate compliance resources had been satisfactorily addressed. With respect, I disagree with the Registrants’ characterisation of their history of non-compliance for the reasons set out in this decision.
7. Examples of the Registrants’ history of non-compliance with Securities Law include:
 - a. *Significant findings from IROC’s 2015 business conduct examinations (BCE) of two locations of Argosy have been referred to IROC’s investigations unit.* Although the Registrants suggested that these audits were complete and that IROC BCE staff had completed its audit and closed its file, this does not appear to be the case since the May 2015 closing letters for both locations indicate that IROC BCE staff has “forwarded the Significant findings... together with your response, to IROC’s Investigations unit for their consideration”.
 - b. *Repeat material unresolved issues from IROC’s 2015 BCE follow-up examination of Argosy.* Although the final report relating to the review was not issued as at the date of the OTBH, Noel Sequeira, Manager of Business Conduct Compliance, IROC testified that there are “repeat, material [business conduct compliance] issues that are yet unresolved”. His affidavit included a list of preliminary issues identified during the review, which “included, but were not limited to, delegation of duties; supervision of employee accounts held at other IROC dealers; supervision of outside business activities; supervision of account activity; supervision and operation of “off book” client name mutual fund accounts; and out of jurisdiction accounts”.
 - c. *Keybase has been the subject of over 90 complaints relating to the allegedly unsuitable use of excessive leverage.* Counsel to the Registrants asserted that “the problem or most of the problems that gave rise to the Staff’s concern last year arose from the Halifax office.” While I acknowledge that Keybase has dismissed two of the three dealing representatives involved (the third is under supervisory terms and conditions imposed by the Nova Scotia Securities Commission), that the issues resulting in the complaints are “stale-dated”, and that the MFDA has closed some complaint files with no action, a number of the client complaint files remain open and outstanding and some have been escalated to the MFDA Enforcement Department. In addition, Keybase’s corporate errors and omissions insurer has cancelled Keybase’s coverage based in part on the quantity of the complaints that may turn into lawsuits (Argosy’s corporate errors and omissions insurance has also been cancelled). Lastly, MFDA staff continues to be concerned about the ongoing actions by Keybase’s head office in respect of the handling of these complaints. Specifically, the affidavit of Mr. Liptrott (Manager of Case Assessment, MFDA) sets out that MFDA staff is currently investigating several issues including whether Keybase:
 - i. is “sufficiently conducting a factual investigation of the complaint”,
 - ii. is “taking a balanced approach that objectively considers the interests of the complainant, the Approved Person and the Dealer Member”,
 - iii. is “conducting a reasonable analysis of the relevant facts in relation to regulatory standards”, and
 - iv. has “delayed in handling complaints due to concerns about the availability of errors and omissions coverage maintained by the relevant Approved Person”.

- d. *MFDA placed Keybase in discretionary early warning in 2015.* The MFDA placed Keybase in discretionary early warning because of a going concern note in their December 2014 financial statements relating to a Nova Scotia judgement against Keybase, as well as an additional 47 claims that are generally at the application stage and 19 claims where a notice of action has been brought (all of which relate to allegedly unsuitable use of leverage). Dax Sukhraj, UDP of Keybase testified that the Nova Scotia judgement has now been settled and that there is uncertainty as to when or how the other claims would be resolved.
 - e. *Matters from the MFDA's 2014 compliance audit of Keybase have been referred to Enforcement.* The February 2015 closing letter indicates that MFDA compliance staff had no further comments "[w]ith the exception of the items that have been specifically referred to the Enforcement Department."
 - f. *Frequency of compliance reviews by the MFDA and IIROC.* Staff from both the MFDA and IIROC have characterised both Registrants as "high risk" for a number of years. The Registrants' high risk ranking has led to 16 reviews of the Registrants in the past six years by Staff, MFDA or IIROC compliance staff (subsequent to the two settlements referred to in paragraphs g. and h. below), and the identification of a large number of repeat, significant deficiencies in most of these reviews.
 - g. *2009 Keybase settlement with the MFDA.* The settlement agreement required a fine payable by each of Keybase and Dax Sukhraj, the hiring of an independent monitor to resolve compliance deficiencies identified during 2006 and 2009 sales compliance reviews (several of which had been previously identified in earlier MFDA compliance review reports), Dax Sukhraj to complete the Partners Directors and Senior Officers course, and other fines and costs.
 - h. *2008 Argosy hearing with IIROC regarding repeat patterns of non-compliance and failure to address issues previously identified.* The settlement agreement relates to repeat patterns of non-compliance and failure to fully address/identify compliance issues from sales compliance reviews performed in 2002, 2003, 2005, 2006, and 2007. As set out in the settlement agreement "the long list of deficiencies which Argosy failed to cure cannot be described in terms other than gross negligence... time and again promises were made and solutions proposed, only to lead to yet further shortcomings. Bearing in mind the number of years involved, there was a chronic failure to observe the rules, regulations and by-laws of the [IIROC]".
8. As indicated by the number, severity and on-going nature of the examples of significant repeat non-compliance set out above, I don't believe that it is correct to conclude that the Registrants' non-compliance is a matter of "ancient history". In my view, the Registrants' non-compliance as demonstrated above is a matter of continued and current (and in my mind significant) non-compliance by both Registrants.

Have the registrants demonstrated that they have adequate compliance resources or an adequate corporate governance structure?

9. Staff performed a high-level review of both Registrants at an enterprise-wide level in early 2014. Staff performed this review because of the fact that "in the past there had been a number of issues raised by both [IIROC and the MFDA] and with repeat deficiencies" and because "both firms were and have been considered high-risk by both [IIROC and the MFDA] for a number of years". 13 of the 17 deficiencies identified by Staff during the Argosy review, and 13 of the 15 deficiencies identified by Staff during the Keybase review, were characterised as significant. Two pervasive issues were identified from this review – inadequate compliance resources and an inadequately responsive governance structure.

10. Although Staff acknowledged to the Registrants in writing that its specific findings “may no longer be timely”, Staff viewed the findings as “symptoms of, rather than causes of, Staff’s underlying concern that the [Registrants] may lack appropriate compliance resources and an adequate corporate governance structure”.
11. Counsel to the Registrants argued that both Keybase and Argosy spend approximately 40% of their payroll costs (which exclude the costs of the hundreds of dealing representatives at the Registrants) on compliance activities and that their ratio of compliance staff to registered representatives is on the high end.
12. Counsel to the Registrants also argued that Argosy and Keybase have recently enhanced their corporate structure by hiring two (and three, respectively) additional directors prior to the OTBH (in Argosy’s case, the additional directors were added one week before the date of the OTBH). At Argosy, the two additional directors are one of the sons of Dax Sukhraj (the owner and UDP of both Argosy and Keybase) and Don Cook, and at Keybase, the three additional directors are Dax Sukhraj’s spouse and his two sons. The so-called independent directors in both cases are either Don Cook (the chief financial officer of both Argosy and Keybase) or a member of Dax Sukhraj’s family. Mr. Cook has reported directly to Dax Sukhraj for at least the last seven years. Without commenting on the effectiveness as a director of any of these individuals, in my view, none of these them is truly independent of Argosy or Keybase. And while I acknowledge that there is no requirement for independent directors at registrants, in my view given the nature, prevalence and significance of what I view as the ongoing compliance issues at the Registrants, it is arguable whether the Registrants’ corporate structure has been enhanced by the hiring of these directors.

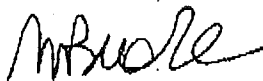
Are the terms and conditions still necessary despite the Registrants’ recent remedial measures?

13. Counsel to the Registrants also argued that the onus was on Staff to demonstrate that the proposed terms and conditions are necessary, fair and reasonable and that Staff had failed to satisfy that onus. Part of the argument put forward was that the period of time between Staff’s review of the Registrants and the proposed terms and conditions was too long, and that the proposed terms and conditions failed to recognise the fairly recent or very recent changes made to the compliance systems and corporate governance structure by the Registrants. Counsel also argued that the proposed terms and conditions were premature and unnecessary, and that they would consume management and compliance resources of the Registrants resulting in the diversion of these resources away from the primary business of the Registrants.
14. Since the Registrants received the March 2015 letter from Staff which set out Staff’s recommended terms and conditions, the Registrants have implemented the following changes to their operations and their compliance infrastructure (examples only provided):
 - a. Rolled out anti-money laundering and privacy training,
 - b. Began a new risk ranking system,
 - c. Appointed further directors to the board of directors of Argosy, and
 - d. Decided to move to a single fee schedule for Keybase clients effective January 2016.
15. In addition, in the last year or so, the Registrants have implemented the following changes to their operations and compliance infrastructure (examples only provided):
 - a. Keybase has hired four additional compliance resources (for a total of 13 compliance staff at Keybase), although some of these staff are solely or partially devoted to litigation support in respect of the unresolved claims against Keybase. In addition, Argosy hired an additional compliance officer,
 - b. Keybase’s compliance department completed the transfer of all client data from a purchased registrant to Keybase’s back office system which counsel argued was a “significant compliance improvement”, and
 - c. Keybase substantially amended their policies and procedures manual in response to a MFDA audit finding.

16. Staff acknowledges that these changes may have a positive impact on the operations and compliance infrastructure of the Registrants. However, Staff argued that compliance by the Registrants is an ongoing responsibility under Securities Law, and I should take limited comfort from the fact that many of these changes appear to have been implemented only after Staff recommended imposing terms and conditions on the registrations of the Registrants or as a result of a compliance review by one of IIROC staff or MFDA staff.
17. In my view, the Consultant under the terms and conditions is best placed to determine the effectiveness of these recent changes and to determine whether further changes are required to the operations and compliance infrastructure of the Registrants to enable them to comply fully with Securities Law. The Registrants have had numerous opportunities to enhance their operations and compliance infrastructure over the years by making changes necessary to respond to the numerous significant (and often repeat) deficiencies identified by both the MFDA and IIROC staff (and more recently OSC Staff) in their compliance oversight reviews of the Registrants, but have largely chosen not to do so on a timely basis.

Reasons for decision

18. As set out above, my decision is to impose the terms and conditions recommended by Staff on the registrations of Keybase and Argosy. I agree with Staff's submissions that the terms and conditions are:
- responsive – because they seek to address what Staff has identified as the root causes of the pattern of repeat and ongoing non-compliance at the Registrants,
 - flexible – because they provide the Consultant with the flexibility to accept, reject or modify the current compliance practices at the Registrants, and
 - respectful – because they respect the business realities of the Registrants by relying on the Consultant to make recommendations on improvements to the current compliance practices at the Registrants, rather than Staff imposing prescriptive changes to the compliance practices at the Registrants.
19. I also agree with Staff that the terms and conditions are designed to foster an effective long-term solution to the issues identified at the Registrants by creating a strong compliance environment within both firms.
20. In my view, the Registrants have a substantial record of non-compliance with Securities Law. The Registrants should note that I might, if asked, have been prepared to impose more substantive sanctions on the Registrants (such as more prescriptive terms and conditions, or more restrictive terms and conditions such as limitations on the operations of the Registrants). I am hopeful that the Consultant retained under the terms and conditions will assist the Registrants (and their UDP and CCOs) in developing a compliance infrastructure and corporate governance structure that will assist them in complying with Securities Law on an ongoing basis.



"Marianne Bridge", FCPA, FCA
Deputy Director, Compliance, Strategy and Risk
Compliance and Registrant Regulation Branch
Ontario Securities Commission
Dated: August 18, 2015

Schedule "B"



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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20 Queen Street West
Toronto ON M5H 3S8

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20, rue queen ouest
Toronto ON M5H 3S8

Web site: www.osc.gov.on.ca

March 3, 2015

BY HAND AND E-MAIL

Dax Sukhraj
Ultimate Designated Person
Argosy Securities Inc. and Keybase Financial Group Inc.
60 Columbia Way, Suite 900
Markham, ON L3R 0C9

Dear Mr. Sukhraj:

Staff of the Ontario Securities Commission (the OSC) has completed its reviews of Argosy Securities Inc. (**Argosy**) and Keybase Financial Group Inc. (**Keybase**), both of which were conducted under section 20 of the *Securities Act* (Ontario) (the *Act*).

For purposes of this letter, Argosy and Keybase, which are subject to common ownership, may collectively be referred to as the **Enterprise**.

In light of Staff's findings over the course of its review, Staff has recommended to the Director that the registrations of Argosy as a dealer in the category of investment dealer and of Keybase as a dealer in the categories of mutual fund dealer and exempt market dealer be subject to terms and conditions as attached at **Exhibits A and B** respectively. Staff also attaches its compliance field review reports (the **Reports**) for Argosy and Keybase at **Exhibits C and D** respectively.

In determining whether an applicant is suitable for registration, Staff considers the following fundamental criteria for registration:

1. **Integrity**, which includes honesty and good faith, particularly in dealings with clients, and compliance with Ontario securities law;
2. **Proficiency**, which includes prescribed proficiency and knowledge of the requirements of Ontario securities law; and
3. **Solvency**, which is considered relevant because it is an indicator of a firm's capacity to fulfill its obligations and can be an indicator of the risk that an individual will engage in self-interested activities at the expense of clients.

Of these criteria, Staff is particularly concerned with the firm's proficiency, and in particular, the ability of operations staff and the sales force across the Enterprise to carry out their responsibilities under Ontario securities law in light of the current level of compliance resources and absent the appropriate support from senior management. These concerns are set out more fully below.

Inadequate Compliance Resources and Governance Across the Enterprise

Section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)* requires registered firms to establish a compliance system sufficient to provide reasonable assurance of compliance with securities legislation, and to manage the risks associated with its business in accordance with prudent business practices. The Investment Industry Regulatory Organization of Canada (IIROC) has identified significant repeat deficiencies in respect of Argosy, and the Mutual Fund Dealers Association of Canada (MFDA) has also identified deficiencies in respect of Keybase. Staff does not believe that any registered firm with a sufficient compliance system would have such persistent compliance problems.

Staff does not believe that you have promoted a culture of compliance at the Enterprise in your capacity as ultimate designated person. You have failed to set the tone for an adequate compliance system, despite your responsibility for doing so in your position at the very top of the Enterprise. Staff has also determined that you have not established prudent business practices by maintaining an inadequate governance structure in registered firms for which you are the sole member of the Board of Directors.

During its review, Staff found substantial evidence of the failure across the Enterprise to maintain an adequate compliance system and prudent business practices. Staff identified several examples where compliance concerns were raised, including concerns escalated to the ultimate designated person, with an inadequate response or no response. In Staff's view, a non-responsive governance structure is an inadequate governance structure.

For example, across the Enterprise we identified significant trade review problems that would not be found in the presence of an adequate compliance system. At Argosy in particular, Staff identified inadequate processes to monitor suitability of trades, and a failure to enforce the suitability policies that were in place. While we recognize that Keybase's compliance practices had shown improvement prior to the integration of the W.H. Stuart Mutuals Ltd. (WH Stuart) business, Keybase's compliance system nevertheless remains deficient.

Staff is of the view that the Enterprise has not devoted adequate resources to the compliance functions at Argosy and Keybase. We found significant problems at Argosy with respect to following up with dealing representatives after compliance deficiencies were identified, and these deficiencies were not discussed with branch managers in detail. At Keybase, we identified challenges with finding resources to complete several tasks associated with integrating the WH Stuart operations, or to adequately conduct branch reviews.

Finally, we note that the chief compliance officer (CCO) of Keybase indicated that "additional resources and support have to be provided to Head Office Compliance Team" in both the 2012 and 2013 Annual CCO Report to you in your capacity as chief executive officer and sole director. The CCO of Argosy also identified the need for more compliance staff in his 2012 annual report to you.

Based on our findings in respect of the compliance systems at Argosy and Keybase, Staff does not believe that you have met your responsibilities as ultimate designated person within the Enterprise. Therefore, Staff believes that a compliance consultant (a **Consultant**) is required to review the governance structure and available compliance resources within the Enterprise as a whole. Staff then foresees the Consultant working with you to implement any improvements the Consultant may recommend as necessary to foster an effective compliance system at both Argosy and Keybase.

Proposed Terms and Conditions

The terms of the Consultant's mandate are set out in the proposed terms and conditions attached as **Exhibits A and B**. We note that we expect the Consultant to recommend changes to the Enterprise's governance structure and compliance resources where necessary and appropriate.

Staff has also included a specific term and condition providing that Argosy and Keybase make compliance improvements that satisfy staff of IIROC and the MFDA, respectively, in respect of certain key areas of concern. The Reports identified significant problems with trade review at both Argosy and Keybase, and Staff understands that both IIROC and the MFDA are addressing serious concerns with complaint handling at each dealer member. For Staff's part, we have concerns that Keybase has not responded adequately to a complaint raised with the Ombudsman for Banking Services and Investments.

Staff reserves the right to raise further and other grounds in support of its recommendation, and will provide you with prompt written notice of these additional grounds should they arise.

Opportunity to be Heard

Pursuant to subsection 31 of the Act, you are entitled to an opportunity to be heard before the Director decides whether to accept staff's recommendation. A copy of the "Procedures for Opportunities to be Heard Before Director's Decisions on Registration" (the **Procedures**) is enclosed with this letter. It is recommended that you review the Procedures carefully.

If you wish to be heard by the Director, you must deliver written notice to the attention of the undersigned by **March 27, 2015**. If we do not receive written notice from you by that date, you will not be entitled to any further notice from the OSC and the Director will proceed to render a decision on staff's recommendation.

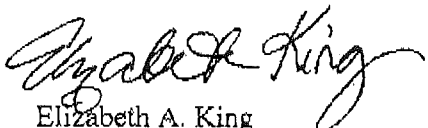
If you choose to accept the proposed terms and conditions, please send an executed copy of Exhibit A to the undersigned by **March 27, 2015**.

Decisions of the Director relating to opportunities to be heard are published in the OSC Bulletin and on the OSC's website. In addition, certain decisions of the Director regarding registration matters are published where no opportunity to be heard has been requested. For more information regarding the publication of Director's decisions on registration matters, please refer to OSC Staff Notice 34-701 *Publication of Decisions of the Director on Registration Matters under Part XI of the Securities Act (Ontario) ("Opportunities to be Heard")* (OSC Staff Notice 34-701) a copy of which is attached for your reference.

Should you have any questions regarding the Procedures or OSC Staff Notice 34-701, please direct them to the following:

Michael Denyszyn
Senior Legal Counsel
Compliance and Registrant Regulation
Email: mdenyszyn@osc.gov.on.ca
Telephone: 416-595-8775

Yours truly,



Elizabeth A. King
Deputy Director, Compliance and Registrant Regulation

cc: Joe Yassi, Vice President, Business Conduct Compliance, IIROC
Karen McGuinness, Senior Vice-President, Member Regulation – Compliance, MFDA

Encl: Procedures for Opportunities to be Heard Before Director's Decisions on Registration
OSC Staff Notice 34-701

Exhibit A**Conditions for the Registration of
Argosy Securities Inc.**

The registration of Argosy Securities Inc. (the Firm) as a dealer in the category of investment dealer is subject to the specific terms and conditions set out below. These terms and conditions were imposed by the Director pursuant to subsection 27(3) of the *Securities Act* (Ontario) (the Act).

If the Firm fails to comply with these terms and conditions, the Director may suspend the Firm's registration.

Terms and Conditions

1. By no later than April 1, 2015, the Firm shall retain, at its own expense, the services of an independent consultant (the **Consultant**) that is approved by the OSC Manager, to:
 - a. prepare and assist the Firm in implementing a plan (the **Plan**) to strengthen the Firm's "compliance system" within the meaning of Section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, including the expected dates of completion and person(s) responsible for the implementation. In the Plan, the Consultant will examine the Firm's internal policies, practices and procedures, including but not limited to, in relation to:
 - i. resources allocated to compliance, including whether appropriate staffing levels are maintained and whether individuals have the education, training and experience that a reasonable person would consider necessary to perform the activity competently; and
 - ii. prudent business practices, including developing an enhanced corporate governance structure at the Firm, and at the Firm's affiliate Keybase Financial Group Inc., sufficient to effectively address ongoing compliance with securities legislation; and
 - b. review the Firm's progress with respect to implementation of the Plan; and,
 - c. submit written progress reports (**Progress Reports**) to the OSC Manager and to the Investment Industry Regulatory Organization of Canada (**IIROC**) detailing the Firm's progress with respect to the implementation of the Plan and stating whether the specific recommendations included in the Plan have been implemented and, if not, the expected date of completion and person(s) responsible for the implementation.
2. The Consultant shall provide the Plan to the OSC Manager for approval no later than May 1, 2015.

3. The Plan and the Progress Reports must be reviewed and approved by the ultimate designated person (UDP) and CCO of the Firm, and signed by the UDP and CCO of the Firm as evidence of his or her review and approval.
4. The Consultant shall submit Progress Reports to the OSC Manager and to IROC every 30 days following approval of the Plan by the OSC Manager until the Plan has been fully implemented.
5. The Firm understands and acknowledges that staff of the Commission expects that substantial progress towards the implementation of the Plan must be demonstrated in each of the Progress Reports.
6. Upon the full implementation of the Plan, the Consultant shall submit an attestation letter for approval by the OSC Manager verifying that the Consultant's recommendations have been implemented and tested, and are working effectively.
7. The Firm shall immediately submit to the Commission a direction from the Firm giving unrestricted permission to staff of the Commission and of IROC to communicate with the Consultant regarding the Firm's progress with respect to the implementation of the Plan or any of its specific recommendations.
8. One year after the full implementation of the Plan, the Consultant shall return, at the Firm's expense, to complete a review of the Firm's compliance system. The Consultant shall submit a report for the OSC Manager's approval that the Consultant's recommendations continue to be implemented, that the compliance system is working effectively, and shall note any deficiencies.
9. These terms and conditions shall remain in place until they are removed by Staff. Staff will not recommend that the terms and conditions be removed until IROC confirms that the Firm has addressed its internal policies, practices and procedures in respect of trade review and complaint handling to the satisfaction of IROC, including in respect of complaints referred to the Ombudsman for Banking Services and Investments.

 Approved Officer of
 Argosy Securities Inc.

 Print Name of Signatory Above

 Date

Exhibit B**Conditions for the Registration of
Keybase Financial Group Inc.**

The registration of Keybase Financial Group Inc. (the Firm) as a dealer in the categories of mutual fund dealer and exempt market dealer is subject to the specific terms and conditions set out below. These terms and conditions were imposed by the Director pursuant to subsection 27(3) of the *Securities Act* (Ontario) (the Act).

If the Firm fails to comply with these terms and conditions, the Director may suspend the Firm's registration.

Terms and Conditions

1. By no later than April 1, 2015, the Firm shall retain, at its own expense, the services of an independent consultant (the **Consultant**) that is approved by the OSC Manager, to:
 - a. prepare and assist the Firm in implementing a plan (the **Plan**) to strengthen the Firm's "compliance system" within the meaning of Section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, including the expected dates of completion and person(s) responsible for the implementation. In the Plan, the Consultant will examine the Firm's internal policies, practices and procedures, including but not limited to, in relation to:
 - i. resources allocated to compliance, including whether appropriate staffing levels are maintained and whether individuals have the education, training and experience that a reasonable person would consider necessary to perform the activity competently; and
 - ii. prudent business practices, including developing an enhanced corporate governance structure at the Firm, and at the Firm's affiliate Argosy Securities Inc., sufficient to effectively address ongoing compliance with securities legislation;
 - b. review the Firm's progress with respect to implementation of the Plan; and,
 - c. submit written progress reports (**Progress Reports**) to the OSC Manager and to the Mutual Fund Dealers Association of Canada (the **MFDA**) detailing the Firm's progress with respect to the implementation of the Plan and stating whether the specific recommendations included in the Plan have been implemented and, if not, the expected date of completion and person(s) responsible for the implementation.
2. The Consultant shall provide the Plan to the OSC Manager for approval no later than May 1, 2015.

3. The Plan and the Progress Reports must be reviewed and approved by the ultimate designated person (UDP) and CCO of the Firm, and signed by the UDP and CCO of the Firm as evidence of his or her review and approval.
4. The Consultant shall submit Progress Reports to the OSC Manager and to the MFDA every 30 days following approval of the Plan by the OSC Manager until the Plan has been fully implemented.
5. The Firm understands and acknowledges that staff of the Commission expects that substantial progress towards the implementation of the Plan must be demonstrated in each of the Progress Reports.
6. Upon the full implementation of the Plan, the Consultant shall submit an attestation letter for approval by the OSC Manager verifying that the Consultant's recommendations have been implemented and tested, and are working effectively.
7. The Firm shall immediately submit to the Commission a direction from the Firm giving unrestricted permission to staff of the Commission and of the MFDA to communicate with the Consultant regarding the Firm's progress with respect to the implementation of the Plan or any of its specific recommendations.
8. One year after the full implementation of the Plan, the Consultant shall return, at the Firm's expense, to complete a review of the Firm's compliance system. The Consultant shall submit a report for the OSC Manager's approval confirming that the Consultant's recommendations continue to be implemented, that the compliance system is working effectively, and shall note any deficiencies.
9. These terms and conditions shall remain in place until they are removed by Staff. Staff will not recommend that the terms and conditions be removed until the MFDA confirms that the Firm has addressed its internal policies, practices and procedures in respect of trade review and complaint handling to the satisfaction of the MFDA, including in respect of complaints referred to the Ombudsman for Banking Services and Investments.

Approved Officer of
Keybase Financial Group Inc.

Print Name of Signatory Above

Date