



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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Toronto ON M5H 3S8

**IN THE MATTER OF THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED**

- AND -

CI INVESTMENTS INC.

**ORDER
(Subsections 127(1) and 127(2) and section 127.1)**

WHEREAS:

1. On February 5, 2016, the Ontario Securities Commission (the “**Commission**”) issued a Notice of Hearing in relation to the Statement of Allegations filed by Staff of the Commission (“**Commission Staff**”) on February 5, 2016 with respect to CI Investments Inc. (“**CII**”);
2. The Notice of Hearing gave notice that on February 10, 2016, the Commission would hold a hearing to consider whether it is in the public interest to approve a settlement agreement between Commission Staff and CII dated February 5, 2016 (the “**Settlement Agreement**”);
3. Commission Staff has alleged that between December 2009 and June 2015, a total of approximately \$156.1 million in interest (the “**Interest**”) had accumulated in bank accounts set up by seven of CII’s mutual funds (the “**Forward Funds**”). The Interest was earned on money deposited by the Forward Funds as collateral for forward purchase agreements that were unique to these Forward Funds. The Interest, however, was not recorded as an asset in the accounts of the respective Forward Funds and not included in the net asset value (“**NAV**”) calculation of the Forward Funds. As a result, the NAV of each Forward Fund, and any fund that invested in the Forward Funds (collectively, the “**Affected Funds**”), was understated for several years and unitholders bought and redeemed units at an understated value;

4. Commission Staff has further alleged that CII did not have an adequate system of controls and supervision to sufficiently address the unique cash collateral feature of the Forward Funds and to ensure that the Interest earned in the cash collateral accounts was recorded and included in the NAV calculation of the Forward Funds such that the unitholders' NAV was understated (the "**Forward Fund Control and Supervision Inadequacy**");
5. Commission Staff are satisfied that CII discovered and self-reported the Forward Fund Control and Supervision Inadequacy to Commission Staff;
6. Commission Staff are satisfied that during the investigation of Forward Fund Control and Supervision Inadequacy by Commission Staff, CII provided prompt, detailed and candid cooperation to Commission Staff;
7. Commission Staff are satisfied that CII had formulated an intention to pay appropriate compensation to current and former investors in connection with its report of Forward Fund Control and Supervision Inadequacy to Commission Staff;
8. As part of the Settlement Agreement, CII undertakes to:
 - a. Pay appropriate compensation to former and current investors that were affected by the Forward Fund Control and Supervision Inadequacy (the "**Affected Investors**") in accordance with a plan submitted by CII to Commission Staff (the "**Compensation Plan**") and to report to a manager or deputy director in the Compliance and Registrant Regulation Branch of the Commission (the "**OSC Manager**") in accordance with the Settlement Agreement and the Compensation Plan;
 - b. Make a voluntary payment of \$50,000 to reimburse the Commission for costs incurred or to be incurred by it in accordance with subsection 3.4(2)(a) of the Act; and
 - c. Make a further voluntary payment of \$8,000,000 to be designated for allocation to or for the benefit of third parties, or for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information

of persons regarding the operation of the securities and financial markets in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act,

(the “**Undertaking**”);

9. The Commission will receive the voluntary payments totalling \$8,050,000 upon completion of the hearing to approve the Settlement Agreement, which payments are conditional upon approval of the Settlement Agreement by the Commission;
10. The Commission reviewed the Settlement Agreement, the Compensation Plan, the Notice of Hearing and the Statement of Allegations of Commission Staff and heard submissions of counsel for CII and from Commission Staff; and
11. The Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED THAT:

- a. The Settlement Agreement is approved;
- b. Within eight months of the approval of the Settlement Agreement, CII shall submit a letter (the “**Attestation Letter**”), signed by the Ultimate Designated Person and the Chief Compliance Officer of CII, to the OSC Manager, expressing their opinion that the Enhanced Control and Supervision Procedures were adequately followed, administered and enforced by CII for the six month period commencing from the date on which the Settlement Agreement is approved;
- c. The Attestation Letter shall be accompanied by a report which provides a description of the testing performed and/or other steps taken to support the conclusions contained in the Attestation Letter;
- d. CII shall submit such additional reports as may be requested by the OSC Manager for the purpose of satisfying the OSC Manager that the opinion expressed in the Attestation Letter described in subparagraph (b) above is valid; and
- e. CII or Commission Staff may apply to the Commission for directions in respect of

any issues that may arise with regard to the implementation of subparagraphs (b) to (d) above.

- f. CII shall comply with the Undertaking to:
- i. pay compensation to the Affected Investors in accordance with the Compensation Plan and to report to the OSC Manager in accordance with the Settlement Agreement and the Compensation Plan;
 - ii. make a voluntary payment of \$50,000 to reimburse the Commission for costs incurred or to be incurred by it in accordance with subsection 3.4(2)(a) of the Act; and
 - iii. make a further voluntary payment of \$8,000,000, which is designated for allocation to or for the benefit of third parties, or for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act.

DATED at Toronto, Ontario this 10th day of February, 2016.

“Christopher Portner”

Christopher Portner

“D. Grant Vingoe”

D. Grant Vingoe

“AnneMarie Ryan”

AnneMarie Ryan

