



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

22<sup>nd</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

22e étage  
20, rue queen ouest  
Toronto ON M5H 3S8

---

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

**- and -**

**QUADRUS INVESTMENT SERVICES LTD.**

---

---

**SETTLEMENT AGREEMENT BETWEEN  
STAFF OF THE COMMISSION and  
QUADRUS INVESTMENT SERVICES LTD.**

---

---

**PART I – INTRODUCTION**

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of Quadrus Investment Services Ltd. (“Quadrus”).
2. Quadrus is a corporation incorporated pursuant to the laws of Ontario. Quadrus is a member of the Mutual Fund Dealers Association of Canada (“MFDA”) and is registered with the Commission as a dealer in the category of mutual fund dealer.
3. In February 2015, Quadrus self-reported a matter to Staff of the Commission (“Commission Staff”) and Staff of the MFDA (“MFDA Staff”) relating to the Quadrus Group of Funds which consists of 48 mutual funds (the “Quadrus Funds”). When it self-reported to Commission Staff, Quadrus indicated to Commission Staff that it intended to pay appropriate compensation to clients and former clients. During Commission Staff’s

investigation of the matter, Quadrus provided prompt, detailed and candid co-operation to Commission Staff and MFDA Staff.

4. As described in Part III below, it is Commission Staff's position that in relation to this matter there were inadequacies in Quadrus' systems of controls and supervision which formed part of its compliance systems, which resulted in certain eligible clients not being advised that they qualified for a lower Management Expense Ratio ("MER") series of Quadrus Funds, and resulted in their indirectly paying excess fees that were not detected or corrected by Quadrus in a timely manner (the "MER Control and Supervision Inadequacy").

## **PART II – JOINT SETTLEMENT RECOMMENDATION**

5. Commission Staff and Quadrus have agreed to a settlement of the proceeding initiated in respect of Quadrus by a Notice of Hearing dated November 6, 2015 (the "Proceeding") on the basis of the terms and conditions set out in this settlement agreement ("Settlement Agreement"). Commission Staff have consulted with MFDA Staff in relation to the underlying facts which are the subject matter of this Settlement Agreement.
6. Pursuant to this Settlement Agreement, Commission Staff agree to recommend to the Commission that the Proceeding be resolved and disposed of in accordance with the terms and conditions contained herein.
7. It is Commission Staff's position that:
  - a. the statement of facts set out by Commission Staff in Part III below, which is based on an investigation carried out by Commission Staff following the self-reporting by Quadrus, is supported by the evidence reviewed by Commission Staff and the conclusions contained in Part III are reasonable; and
  - b. it is in the public interest for the Commission to approve this Settlement Agreement, having regard to the following considerations:
    - (i) Commission Staff's allegations are that Quadrus failed to establish, maintain and apply procedures to establish controls and supervision:

- A. sufficient to provide reasonable assurance that Quadrus, and each individual acting on behalf of Quadrus, 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 Quadrus to correct the non-compliant conduct in a timely manner;
- (ii) Commission Staff do not allege, and have found no evidence of dishonest conduct by Quadrus;
  - (iii) Quadrus discovered and self-reported the MER Control and Supervision Inadequacy to Commission Staff;
  - (iv) during the investigation of the MER Control and Supervision Inadequacy following the self-reporting, Quadrus provided prompt, detailed and candid cooperation to Commission Staff;
  - (v) Quadrus indicated an intention to pay appropriate compensation to eligible clients and former clients when it reported the MER Control and Supervision Inadequacy to Commission Staff and, having advised Commission Staff of its intention to compensate eligible clients and former clients, Quadrus thereafter co-operated with Commission Staff with a view to providing appropriate compensation to eligible clients and former clients that were harmed by the MER Control and Supervision Inadequacy (the “Affected Clients”);
  - (vi) as part of this Settlement Agreement, Quadrus has agreed to pay appropriate compensation to the Affected Clients, in accordance with a plan submitted by Quadrus to Commission Staff and presented to the Commission (the “Compensation Plan”), and anticipates implementing the Compensation Plan before the end of 2015. As at the date of this

Settlement Agreement, Quadrus anticipates paying compensation to Affected Clients of approximately \$8,000,000 in respect of the MER Control and Supervision Inadequacy;

- (vii) the Compensation Plan prescribes, among other things:
- A. the detailed methodology to be used for determining the compensation to be paid to the Affected Clients, including the time value of money in respect of any monies to be paid by Quadrus to the Affected Clients;
  - B. the approach to be taken with regard to contacting and making payments to the Affected Clients;
  - C. the timing to complete the various steps included in the Compensation Plan;
  - D. a \$25 de minimis exception per Affected Client (the aggregate of which will be donated to the Chartered Professional Accountants Canada (“CPA Canada”) Financial Literacy Program);
  - E. the approach to be taken to any remaining funds that are not paid out to Affected Clients after the steps included in the Compensation Plan have been fully implemented. In that regard, the Compensation Plan provides that if Quadrus is not able to contact any former Affected Clients, notwithstanding the steps described in the Compensation Plan, Quadrus will use reasonable efforts to locate any Affected Clients who are eligible to receive payment of \$200 or more including directory searches, internet searches, and the employment of third parties to assist in the search. If Quadrus determines that an Affected Client is deceased but does not know the identity of the personal representative of the Affected Client’s estate, and the estate is eligible to receive more than \$400, Quadrus shall make reasonable efforts to identify the

personal representative of the deceased Affected Client. Subject to any applicable unclaimed property legislation, any amounts remaining which are undistributed to non-located Affected Clients by December 31, 2016 will be donated to the CPA Canada Financial Literacy Program;

- F. the resolution of Affected Client inquiries through an escalation process; and
  - G. regular reporting to a manager or deputy director in the Compliance and Registrant Regulation Branch of the Commission (“OSC Manager”) detailing Quadrus’ progress with respect to the implementation of the Compensation Plan, including with regard to the resolution of Affected Client inquiries;
- (viii) Quadrus has advised Commission Staff that there is no other instance of an MER Control and Supervision Inadequacy other than the MER Control and Supervision Inadequacy described herein;
  - (ix) Quadrus has taken corrective action to address the MER Control and Supervision Inadequacy and has developed and implemented procedures and controls, supervisory and monitoring systems designed to prevent the re-occurrence of the MER Control and Supervision Inadequacy in the future (the “Enhanced Control and Supervision Procedures”), which may be subject to further modifications following a review by Commission Staff. As part of this Settlement Agreement, Quadrus is required to report to the OSC Manager on its ongoing progress in developing and implementing the Enhanced Control and Supervision Procedures;
  - (x) Quadrus has agreed to make a voluntary payment of \$250,000 to the Commission to advance the Commission’s mandate of protecting investors and fostering fair and efficient capital markets and to make a further voluntary payment of \$20,000 to be allocated to costs;

- (xi) the total agreed settlement amount of \$270,000 will be paid by wire transfer before the commencement of the hearing before the Commission to approve this Settlement Agreement, which payment is conditional upon approval of this Settlement Agreement by the Commission; and
- (xii) the terms of this Settlement Agreement are appropriate in all the circumstances, including mitigating factors and the principles of general and specific deterrence. Commission Staff are of the view that the voluntary payments referred to above in addition to the amounts to be paid as compensation to Affected Clients by Quadrus will emphasize to the marketplace that Commission Staff expect registrants to have compliance systems with appropriate controls and supervision in place which:
  - A. provide reasonable assurance that registrants, and each individual acting on behalf of registrants, are complying with securities legislation, including the requirement to deal fairly with clients including, without limitation, with regard to fees; and
  - B. are reasonably likely to allow registrants to identify and correct non-compliance with securities legislation in a timely manner.

- 8. Quadrus neither admits nor denies the accuracy of the facts or the conclusions of Commission Staff as set out in Part III of this Settlement Agreement.
- 9. Quadrus agrees to this Settlement Agreement and to the making of an order in the form attached as Schedule "A".

### **PART III – COMMISSION STAFF’S STATEMENT OF FACTS AND CONCLUSIONS**

#### **A. Overview**

- 10. Beginning in 2011, certain eligible Quadrus clients were not advised that they qualified for a lower MER series of mutual funds of which Quadrus is the principal distributor and, as a result, indirectly paid excess fees when they invested in the higher MER series of securities of the same mutual fund.

11. The MER Control and Supervision Inadequacy continued undetected until late 2014. Quadrus discovered the MER Control and Supervision Inadequacy as part of a review of its internal practices and procedures (the “Review”) prompted by the publication of a no-contest settlement agreement Commission Staff entered into with TD Waterhouse Private Investment Counsel Inc., TD Waterhouse Canada Inc. and TD Investment Services Inc. in November 2014.
12. Quadrus has since that time taken remedial steps in order to correct the MER Control and Supervision Inadequacy.

**B. The MER Control and Supervision Inadequacy**

13. The Quadrus Funds consist of 48 mutual funds managed by Mackenzie Financial Corporation that are exclusively available through Quadrus.
14. The Quadrus Funds are available in different series of securities. The MER differs for each series of securities of the same mutual fund, with the MER being lower for series of securities with higher minimum investment thresholds (the “L Series”).
15. Beginning in September 2011, the L Series securities of the Quadrus Funds were generally available to Quadrus clients where the client alone, or together with certain eligible family members, had \$500,000 or more invested in certain accounts and products, and the client invested at least \$100,000 in the L Series securities. The MERs for the L Series securities were an average of 35 basis points lower than the retail series (the “Q Series”) of securities available for the same mutual fund. The MER differences varied by fund.
16. In the context of the Review, Quadrus discovered that certain client accounts invested in the Q Series of a Quadrus Fund that appeared to qualify for the L Series securities of that fund were not invested in the L Series and therefore the holders of those client accounts did not benefit from the L Series’ lower MER with regard to their investment in that fund. Quadrus became aware of the issue in or around November 2014. Specifically,

- a. Quadrus determined that it did not have adequate systems of internal controls and supervision in place to ensure that when a purchase or transfer of investments into the Q Series of a Quadrus Fund exceeded the minimum investment thresholds, the client was consistently advised that a lower MER L Series of the same mutual fund was available to the client;
  - b. Quadrus determined that its internal controls failed to identify this MER Control and Supervision Inadequacy in a timely manner; and
  - c. Quadrus began to implement enhancements to its processes to help identify clients that met the minimum investment thresholds required to qualify for L Series securities.
17. Quadrus self-reported this MER Control and Supervision Inadequacy to Commission Staff and MFDA Staff in February 2015.
18. Quadrus engaged an independent third party to validate the process used by Quadrus to ensure an accurate and complete identification of Affected Clients and the calculation of amounts to be paid to Affected Clients as appropriate compensation. This third party validation is currently underway.
19. Quadrus has determined that there were approximately 3,329 client accounts that ought to have been invested in the L Series securities of the same mutual fund but were not.
20. In accordance with the Compensation Plan, in respect of those client accounts, Quadrus will pay:
  - a. an amount representing the impact on Affected Client net asset values caused by the MER differential between Q Series securities held by the client of a Quadrus Fund and the L Series securities of that mutual fund, for the entire period commencing when the Affected Client qualified for the L Series securities of that mutual fund and concluding on the earliest of:
    - (i) the end of the month that the Affected Client transferred to the L Series;



(ii) the end of the month that the Affected Client closed his or her Quadrus account; or

(iii) September 30, 2015

(the “Impact of the MER Differential”); and

b. an amount representing the time value of money in respect of the Impact of the MER Differential, calculated monthly from the month end when an Affected Client first became eligible for the L Series until the payment date, based on a simple interest rate of 5% per annum (the “Foregone Investment Opportunity Cost”).

21. On this basis, Quadrus has estimated that the total compensation to be paid to Affected Clients as a result of this MER Control and Supervision Inadequacy is approximately \$8,000,000 inclusive of the Foregone Investment Opportunity Cost, where applicable.

**C. Breaches of Ontario Securities Law**

22. With respect to the MER Control and Supervision Inadequacy, Quadrus failed to establish, maintain and apply procedures to establish controls and supervision:

a. sufficient to provide reasonable assurance that Quadrus, and each individual acting on behalf of Quadrus, 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 Quadrus to correct the non-compliant conduct in a timely manner.

23. As a result, the MER Control and Supervision Inadequacy constituted a breach of section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. In addition, the failure in Quadrus’ systems of controls and supervision associated with the MER Control and Supervision Inadequacy was contrary to the public interest.

**D. Mitigating Factors**

24. Commission Staff do not allege, and have found no evidence of, dishonest conduct by Quadrus.
25. Quadrus discovered and self-reported the MER Control and Supervision Inadequacy to Commission Staff and MFDA Staff.
26. During the investigation of the MER Control and Supervision Inadequacy following the self-reporting by Quadrus, Quadrus provided prompt, detailed and candid cooperation to Commission Staff.
27. Quadrus had formulated an intention to pay appropriate compensation to Affected Clients in connection with its report of the MER Control and Supervision Inadequacy to Commission Staff and, thereafter, co-operated with Commission Staff with a view to providing appropriate compensation to the Affected Clients that were harmed by the MER Control and Supervision Inadequacy.
28. Quadrus has begun implementing a program to pay appropriate compensation to the Affected Clients, in accordance with the Compensation Plan. As at the date of this Settlement Agreement, Quadrus anticipates paying compensation to Affected Clients of approximately \$8,000,000 in respect of the MER Control and Supervision Inadequacy.
29. The Compensation Plan prescribes, among other things:
  - a. the detailed methodology to be used for determining the compensation to be paid to the Affected Clients, including the time value of money in respect of any monies to be paid by Quadrus to the Affected Clients;
  - b. the approach to be taken with regard to contacting and making payments to the Affected Clients;
  - c. the timing to complete the various steps included in the Compensation Plan;
  - d. a \$25 de minimis exception per Affected Client (the aggregate of which will be donated to the CPA Canada Financial Literacy Program);

- e. the approach to be taken to any remaining funds that are not paid out to Affected Clients after the steps included in the Compensation Plan have been fully implemented. In that regard, the Compensation Plan provides that if Quadrus is not able to contact any former Affected Clients, notwithstanding the steps described in the Compensation Plan, Quadrus will use reasonable efforts to locate any Affected Clients who are eligible to receive payment of \$200 or more including directory searches, internet searches, and the employment of third parties to assist in the search. If Quadrus determines that an Affected Client is deceased but does not know the identity of the personal representative of the Affected Client's estate, and the estate is eligible to receive more than \$400, Quadrus shall make reasonable efforts to identify the personal representative of the deceased Affected Client. Subject to any applicable unclaimed property legislation, any amounts remaining which are undistributed to non-located Affected Clients by December 31, 2016 will be donated to the CPA Canada Financial Literacy Program;
  - f. the resolution of Affected Client inquiries through an escalation process; and
  - g. regular reporting to the OSC Manager detailing Quadrus' progress with respect to the implementation of the Compensation Plan, including with regard to the resolution of Affected Client inquiries.
30. Quadrus has advised Commission Staff that there is no other instance of a MER Control and Supervision Inadequacy other than the MER Control and Supervision Inadequacy described herein.
31. Quadrus has taken corrective action, and has developed and implemented the Enhanced Control and Supervision Procedures, which may be subject to further modifications following a review by Commission Staff. As part of this Settlement Agreement, Quadrus is required to report to the OSC Manager on its ongoing progress in developing and implementing the Enhanced Control and Supervision Procedures.

32. Quadrus has agreed to make a voluntary payment of \$250,000 to the Commission to advance the Commission's mandate of protecting investors and fostering fair and efficient capital markets and to make a further voluntary payment of \$20,000 to be allocated to costs.
33. Quadrus will pay the total agreed settlement amount of \$270,000 by wire transfer before the commencement of the hearing before the Commission to approve this Settlement Agreement, which payment is conditional upon approval of this Settlement Agreement by the Commission.
34. The terms of settlement are appropriate in all the circumstances, including mitigating factors and the principles of general and specific deterrence. Commission Staff are of the view that the voluntary payments referred to above in addition to the amounts to be paid as compensation to Affected Clients by Quadrus will emphasize to the marketplace that Commission Staff expect registrants to have compliance systems with appropriate controls and supervision in place which:
  - a. provide reasonable assurance that registrants, and each individual acting on behalf of registrants, are complying with securities legislation, including the requirement to deal fairly with clients including, without limitation, with regard to fees; and
  - b. are reasonably likely to allow registrants to identify and correct non-compliance with securities legislation in a timely manner.

**E. Quadrus' Undertaking**

35. By signing this Settlement Agreement, Quadrus undertakes to:
  - a. pay compensation to the Affected Clients in accordance with the Compensation Plan and to report to the OSC Manager in accordance with the Compensation Plan;
  - b. make a voluntary payment of \$20,000, 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 \$250,000, 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”).

#### **PART IV – TERMS OF SETTLEMENT**

36. Quadrus agrees to the terms of settlement listed below and consents to the Order attached hereto, pursuant to sections 127 and section 127.1 of the Act, that:
  - a. the Settlement Agreement is approved;
  - b. within 90 days of receiving comments from Commission Staff, Quadrus shall provide revised written policies and procedures (the “Revised Policies and Procedures”) that address any remaining issues raised by Commission Staff with regard to Quadrus’ policies and procedures to establish the Enhanced Control and Supervision Procedures (the “Remaining Issues”);
  - c. thereafter, Quadrus shall make such further modifications to its Revised Policies and Procedures as are required to ensure that the Revised Policies and Procedures address any Remaining Issues to the satisfaction of the OSC Manager;
  - d. within 8 months of receiving confirmation from the OSC Manager that the Revised Policies and Procedures satisfy the Remaining Issues (the “Confirmation Date”), Quadrus shall submit a letter (the “Attestation Letter”), signed by the Ultimate Designated Person (“UDP”) and the Chief Compliance Officer (“CCO”) of Quadrus, to the OSC Manager, expressing their opinion as to whether the Enhanced Control and Supervision Procedures were adequately followed, administered and enforced by Quadrus for the six month period commencing from the Confirmation Date;

- e. the Attestation Letter shall be accompanied by a report which provides a description of the testing performed to support the conclusions contained in the Attestation Letter;
  - f. Quadrus 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 (d) above is valid;
  - g. Quadrus 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 (f) above;
  - h. Quadrus shall comply with the Undertaking to:
    - (i) pay compensation to the Affected Clients in accordance with the Compensation Plan and report to the OSC Manager in accordance with the Compensation Plan;
    - (ii) make a voluntary payment of \$20,000, 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 \$250,000, 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.
37. Quadrus agrees to make the payments described in subparagraphs 36(h)(ii) and (iii) above by wire transfer before the commencement of the hearing before the Commission to approve this Settlement Agreement.

## **PART V – COMMISSION STAFF COMMITMENT**

38. If the Commission approves this Settlement Agreement, Commission Staff will not commence any proceeding under Ontario securities law in relation to Commission Staff's Statement of Facts and Conclusions set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 39 below and except that with respect to paragraph 30 above, nothing in this Settlement Agreement shall be interpreted as limiting Commission Staff's ability to commence proceedings against Quadrus in relation to any control and supervision inadequacies leading to clients paying excess fees other than the MER Control and Supervision Inadequacy described herein.
39. If the Commission approves this Settlement Agreement and Quadrus fails to comply with any of the terms of this Settlement Agreement, Commission Staff may bring proceedings under Ontario securities law against Quadrus. These proceedings may be based on, but are not limited to, Commission Staff's Statement of Facts and Conclusions set out in Part III of this Settlement Agreement as well as the breach of this Settlement Agreement.

#### **PART VI – PROCEDURE FOR APPROVAL OF SETTLEMENT**

40. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for November 10, 2015, or on another date agreed to by Commission Staff and Quadrus, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Procedure.
41. Commission Staff and Quadrus agree that this Settlement Agreement will form all of the evidence that will be submitted at the settlement hearing on Quadrus' conduct, unless the parties agree that additional evidence should be submitted at the settlement hearing.
42. If the Commission approves this Settlement Agreement, Quadrus agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.
43. If the Commission approves this Settlement Agreement, Quadrus will not make any public statement that is inconsistent with this Settlement Agreement or with any additional evidence submitted at the settlement hearing. In addition, Quadrus agrees that it will not make any public statement that there is no factual basis for this Settlement Agreement. Nothing in this paragraph affects Quadrus' testimonial obligations or the

right to take legal or factual positions in other investigations or legal proceedings in which the Commission and/or Commission Staff is not a party or in which any provincial or territorial securities regulatory authority in Canada and/or its Commission Staff is not a party (“Other Proceedings”) or to make public statements in connection with Other Proceedings.

44. Whether or not the Commission approves this Settlement Agreement, Quadrus will not use in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement, as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

#### **PART VII – DISCLOSURE OF SETTLEMENT AGREEMENT**

45. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule "A" to this Settlement Agreement:
- a. this Settlement Agreement and all discussions and negotiations between Commission Staff and Quadrus before the settlement hearing takes place will be without prejudice to Commission Staff and Quadrus; and
  - b. Commission Staff and Quadrus will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.
46. The parties will keep the terms of this Settlement Agreement confidential until the commencement of the public hearing to obtain approval of this Settlement Agreement by the Commission. Any obligations of confidentiality shall terminate upon the commencement of the public settlement hearing. If for whatever reason, the Commission does not approve this Settlement Agreement, the terms of this Settlement Agreement remain confidential indefinitely, unless Commission Staff and Quadrus otherwise agree or if required by law.



**PART VIII – EXECUTION OF SETTLEMENT AGREEMENT**

47. This agreement may be signed in one or more counterparts which, together, constitute a binding agreement.
48. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

Dated this 6<sup>th</sup> day of November, 2015.

“Monique Aitken”  
Witness

Quadrus Investment Services Ltd.

By: “Ruth Ann McConkey”  
Authorized Signatory

By: “Geoff Heyland”  
Authorized Signatory

“Tom Atkinson”  
Tom Atkinson  
Director, Enforcement Branch



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

22nd Floor  
20 Queen Street West  
Toronto ON M5H 3S8

22e étage  
20, rue queen ouest  
Toronto ON M5H 3S8

**SCHEDULE "A"**

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

**- AND -**

**QUADRUS INVESTMENT SERVICES LTD.**

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

**WHEREAS:**

1. on November 6, 2015, 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 November 6, 2015 with respect to Quadrus Investment Services Ltd. ("Quadrus");
2. the Notice of Hearing gave notice that on November 10, 2015, the Commission would hold a hearing to consider whether it is in the public interest to approve a settlement agreement between Commission Staff and Quadrus dated November 6, 2015 (the "Settlement Agreement");
3. in the Statement of Allegations, Commission Staff alleged control and supervision inadequacies relating to the Quadrus Group of Funds which resulted in clients of Quadrus paying excess fees (the "MER Control and Supervision Inadequacy");
4. Commission Staff are satisfied that Quadrus discovered and self-reported the MER Control and Supervision Inadequacy to Commission Staff;
5. Commission Staff are satisfied that during the investigation of the MER Control and Supervision Inadequacy by Commission Staff, Quadrus provided prompt, detailed and

candid cooperation to Commission Staff and staff of the Mutual Fund Dealers' Association of Canada;

6. Commission Staff are satisfied that Quadrus had formulated an intention to pay appropriate compensation to clients and former clients in connection with its report of the MER Control and Supervision Inadequacy to Commission Staff;
7. as part of the Settlement Agreement, Quadrus undertakes to:
  - a. pay appropriate compensation to eligible clients and former clients that were affected by the MER Control and Supervision Inadequacy (the "Affected Clients") in accordance with a plan submitted by Quadrus 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 Compensation Plan;
  - b. make a voluntary payment of \$20,000, 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 \$250,000, 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");
8. the Commission has received the voluntary payments totalling \$270,000 in escrow pending approval of the Settlement Agreement;
9. the Commission reviewed the Settlement Agreement, the Notice of Hearing and the Statement of Allegations of Commission Staff and heard submissions of counsel for Quadrus and from Commission Staff; and

10. 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 90 days of receiving comments from Commission Staff, Quadrus shall provide to the OSC Manager, revised written policies and procedures (the “Revised Policies and Procedures”) that address any remaining issues raised by Commission Staff (the “Remaining Issues”) with regard to Quadrus’ procedures and controls, supervisory and monitoring systems designed to prevent the re-occurrence of the MER Control and Supervision Inadequacy in the future (the “Enhanced Control and Supervision Procedures”);
- c) thereafter, Quadrus shall make such further modifications to its Revised Policies and Procedures as are required to ensure that the Revised Policies and Procedures address any Remaining Issues to the satisfaction of the OSC Manager;
- d) within 8 months of receiving confirmation from the OSC Manager that the Revised Policies and Procedures satisfy the Remaining Issues (the “Confirmation Date”), Quadrus shall submit a letter (the “Attestation Letter”), signed by the Ultimate Designated Person (“UDP”) and the Chief Compliance Officer (“CCO”) of Quadrus, to the OSC Manager, expressing their opinion as to whether the Enhanced Control and Supervision Procedures were adequately followed, administered and enforced by Quadrus for the six month period commencing from the Confirmation Date;
- e) the Attestation Letter shall be accompanied by a report which provides a description of the testing performed to support the conclusions contained in the Attestation Letter;
- f) Quadrus 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 (d) above is valid;

- g) Quadrus 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 (f) above; and
- h) Quadrus shall comply with the Undertaking to:
  - i. pay compensation to the Affected Clients in accordance with the Compensation Plan and to report to the OSC Manager in accordance with the Compensation Plan;
  - ii. make a voluntary payment of \$20,000, 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 \$250,000, 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.

DATED at Toronto, Ontario this \_\_\_\_\_day of November, 2015