



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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

- and -

QUADRUS INVESTMENT SERVICES LTD.

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff (“Staff”) of the Ontario Securities Commission (the “Commission”) make the following allegations:

I. THE RESPONDENT

1. Quadrus Investment Services Ltd. (“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.

II. BACKGROUND

2. In February 2015, Quadrus self-reported a matter to Staff and Staff of the MFDA relating to the Quadrus Group of Funds (the “Quadrus Funds”), which resulted in certain eligible clients indirectly paying excess fees. The Quadrus Funds are managed by Mackenzie Financial Corporation and are exclusively available through Quadrus.

3. When it reported the matter to Staff, Quadrus advised Staff that:
 - a. Quadrus intended to pay appropriate compensation to clients and former clients; and
 - b. Quadrus had begun taking corrective action, including implementing additional controls and supervision to prevent the re-occurrence of the matter in the future.

III. QUADRUS' CONDUCT

4. The Quadrus Funds are available in different series of securities. The Management Expense Ratio ("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").
5. Beginning in 2011, certain eligible Quadrus clients were not advised that they qualified for the L Series securities and, as a result, indirectly paid excess fees when they invested in the higher MER retail series of securities of the same Quadrus Fund.
6. There were inadequacies in Quadrus' systems of controls and supervision which formed part of its compliance systems, which resulted in eligible clients not being advised that they qualified for the L Series, and resulted in those clients indirectly paying excess fees that were not detected or corrected by Quadrus in a timely manner (the "MER Control and Supervision Inadequacy").

IV. BREACH OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

7. 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.
8. 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*.
9. The failure in Quadrus' systems of controls and supervision associated with the MER Control and Supervision Inadequacy was contrary to the public interest.
10. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, this 6th day November, 2015.