



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 -

IN THE MATTER OF SENTRY INVESTMENTS INC. and SEAN DRISCOLL

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

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

I. The Respondents

1. Sentry Investments Inc. (“Sentry”) is a mutual fund manager. Since December 8, 2008, Sentry has been registered with the Commission as a Mutual Fund Dealer, Portfolio Manager and Commodity Trading Manager. Sentry has been registered with the Commission as an Investment Fund Manager (“IFM”) since December 17, 2010, and as an Exempt Market Dealer since April 19, 2013.

2. Sentry’s investment fund products are distributed to investors by dealing representatives (“DRs”) registered with third party dealers (“Participating Dealers”).

3. Sean Driscoll (“Driscoll”) was registered as Sentry’s Ultimate Designated Person (“UDP”) from January 29, 2013 to December 22, 2016.

II. Legislative Framework

4. IFMs are prohibited from making a payment of money or providing a non-monetary benefit to a DR in connection with the distribution of securities, except in certain permitted circumstances under Part 3 (which deals with Permitted Compensation) and Part 5 (which deals with Marketing and Educational Practices) of National Instrument 81-105 *Mutual Fund Sales Practices* (“NI 81-105”). In particular, subsection 2.1 of NI 81-105:

- a. states, among other things, that no member of the organization of a mutual fund (the “Member”) shall, in connection with the distribution of securities of the mutual fund make a payment of money to a DR, provide a non-monetary benefit to a DR or pay for or make reimbursement of a cost or expense incurred or to be incurred by a DR (subsection 2.1(1)); but
- b. provides exceptions and allows a Member to pay for or make reimbursement of a cost or expense incurred or to be incurred by a DR, if permitted by Part 3 or 5 of NI 81-105 and allows a Member to provide a non-monetary benefit to a DR, if permitted by Part 5 of NI 81-105 (subsection 2.1(2)).

5. Pursuant to section 1.1 of NI 81-105, a Member includes an IFM.

6. Section 5.2 of NI 81-105 allows an IFM to provide a non-monetary benefit to a DR by allowing the DR to attend a conference organized and presented by the IFM (a “Mutual Fund Sponsored Conference”) provided that the requirements of that section are met.

7. In addition, section 5.6 of NI 81-105 allows an IFM to provide DRs with non-monetary benefits of a promotional nature and of minimal value, and to engage in business promotion activities that result in a DR receiving a non-monetary benefit if, among other things, the provision of the benefits and activities is neither so extensive nor so frequent as to cause a reasonable person to question whether the provision of the benefits or activities improperly influence the investment advice given by the DR to his or her clients.

III. Respondents' Conduct

(a) The Mutual Fund Sponsored Conference in Beverley Hills

8. In September 2015, Sentry held a mutual fund conference in Beverly Hills, California (the "Sentry Conference"). Sentry did not comply with section 5.2 of NI 81-105 in relation to the Sentry Conference in the following respects:

- a. The primary purpose of the Sentry Conference was not the provision of the educational information referred to in subsection 5.2(a) of NI 81-105;
- b. Sentry, rather than the Participating Dealers, selected the DRs to attend the Sentry Conference contrary to subsection 5.2(b) of NI 81-105;
- c. Sentry paid for some of the DRs' travel, accommodation and personal incidental expenses associated with the DRs' attendance at the Sentry Conference contrary to subsection 5.2(d) of NI 81-105; and
- d. The costs relating to the organization and presentation of the Sentry Conference were not reasonable having regard to the purpose of the Sentry Conference contrary to subsection 5.2(e) of NI 81-105.

9. In addition, in connection with the Sentry Conference, Sentry provided gifts to DRs and their guests, non-monetary benefits to guests of the DRs while the DRs were attending the educational sessions at the Sentry Conference and monetary benefits to DRs and/or their guests in the form of gift certificates that did not comply with or were not permitted under NI 81-105.

(b) Sentry's Annual Spending on DRs

10. During the period January 2011 to September 30, 2016, Sentry provided non-monetary benefits to DRs that did not meet the requirements of section 5.6 of NI 81-105 in relation to Sentry's annual spending on DRs ("Annual DR Spending") including Sentry's spending on DRs on one-time events. Sentry also provided monetary benefits to DRs in the form of gift certificates that were not permitted under NI 81-105.

(c) Controls, Supervision and Books and Records relating to Sales Practices

11. During the period January 2011 to October 2016, Sentry failed to put in place an adequate record keeping system and adequate controls and supervision in relation to its sales practices. In addition, during the period January 2015 to September 30, 2015, Sentry failed to impose appropriate systems of controls and supervision to ensure that the Sentry Conference complied with Part 5 of NI 81-105.

12. During the period January 2011 to October 2016, Sentry failed to maintain adequate books and records in relation to its sales practices as were reasonably required to demonstrate Sentry's compliance with NI 81-105. In addition, in 2015, Sentry engaged in conduct that was contrary to the public interest and contrary to Sentry's obligation to maintain adequate books and records for the proper recording of its business transactions and financial affairs relating to its sales practices.

(d) Driscoll's Conduct

13. In each of April 2015 and April 2016, while he was the UDP of Sentry, Driscoll gave Montreal Grand Prix Formula 1 race tickets (the "Montreal F1 Tickets") to a DR which resulted in Sentry providing non-monetary benefits to the DR in breach of section 5.6 of NI 81-105.

IV. Breach of Ontario Securities Law and Conduct Contrary to the Public Interest

14. By engaging in the conduct described above, Sentry breached Ontario securities law and acted contrary to the public interest. In particular:

- a. during the period August 2015 to September 2015, Sentry provided non-monetary benefits to DRs and/or their guests in connection with the Sentry Conference that did not meet the requirements of sections 5.2 and 5.6 of NI 81-105 and provided monetary benefits to DRs in the form of gift certificates that were not permitted under Part 3 of NI 81-105 resulting in Sentry providing non-monetary and monetary benefits in breach of section 2.1 of NI 81-105 and contrary to the public interest;

- b. during the period January 2011 to September 30, 2016, Sentry provided non-monetary benefits to DRs in relation to its Annual DR Spending and in relation to its spending on DRs on one-time events (including in relation to the Montreal F1 Tickets) that did not meet the requirements of section 5.6 of NI 81-105 and provided monetary benefits to DRs in the form of gift certificates that were not permitted under Part 3 of NI 81-105 resulting in Sentry providing non-monetary and monetary benefits in breach of section 2.1 of NI 81-105 and contrary to the public interest;
 - c. during the period January 2011 to October 2016, Sentry failed to establish and maintain adequate systems of controls and supervision around its sales practices to ensure compliance with section 2.1 and Part 5 of NI 81-105 in breach of section 32(2) of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”) and section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“NI 31-103”) and contrary to the public interest; and
 - d. during the period January 2011 to October 2016, in relation to its sales practices, Sentry failed to maintain adequate books, records and other documents as were reasonably required to demonstrate its compliance with NI 81-105 and for the proper recording of its business transactions and financial affairs in breach of paragraphs 1 and 3 of subsection 19(1) of the Act and contrary to the public interest.
15. During the period April 20, 2015 to September 12, 2016, in connection with the Montreal F1 Tickets, Driscoll,
- a. failed to meet his obligations as the UDP of Sentry in breach of section 5.1 of NI 31-103 and contrary to the public interest;
 - b. as an officer and director of Sentry, did authorize, permit and/or acquiesce in Sentry’s breach of section 2.1 of NI 81-105 pursuant to section 129.2 of the Act; and

- c. as Sentry's UDP during the period April 20, 2015 to September 12, 2016, he acted contrary to the public interest in failing to disclose Sentry's breach of NI 81-105 through his giving of the Montreal F1 Tickets to a DR to Sentry's board of directors.
16. Commission Staff reserve the right to make such other allegations as Commission Staff may advise and the Commission may permit.

Dated at Toronto, this 31st day of March, 2017