



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF  
ASSANTE CAPITAL MANAGEMENT LTD. and  
ASSANTE FINANCIAL MANAGEMENT LTD.**

**STATEMENT OF ALLEGATIONS**

(Section 127 of the *Securities Act*, R.S.O. 1990, c. S.5)

**A. ORDER SOUGHT**

Staff of the Enforcement Branch (**Commission Staff**) of the Ontario Securities Commission (the **Commission**) requests that the Commission make an order pursuant to section 127 of the *Securities Act* to approve the settlement agreement dated December 18, 2017 (the **Settlement Agreement**), on a no-contest basis, between Commission Staff and Assante Capital Management Ltd. (**ACML**) and Assante Financial Management Ltd. (**AFML**) (collectively, the **Assante Dealers**).

**B. FACTS**

Commission Staff make the following allegations of fact:

**(a) THE RESPONDENTS**

1. ACML is a corporation incorporated pursuant to the laws of Canada. ACML is a member of the Investment Industry Regulatory Organization of Canada and is registered with the Commission as an investment dealer.

2. AFML is a corporation incorporated pursuant to the laws of Ontario. AFML is a member of the Mutual Fund Dealers Association of Canada and is registered with the Commission as a mutual fund dealer and an exempt market dealer.
3. Each of the Assante Dealers is a subsidiary of Assante Wealth Management (Canada) Ltd. (AWMCL). AWMCL is a subsidiary of CII Investments Inc. (CIII), the manager of various mutual funds.

**(b) BACKGROUND**

4. Commencing in March 2015, the Assante Dealers self-reported to Commission Staff findings from a review of their internal practices and procedures which commenced a process that led to the discovery and reporting of inadequacies in the Assante Dealers' systems of controls and supervision which formed part of their compliance systems, resulting in certain eligible clients of the Assante Dealers invested in mutual funds managed by CIII not being advised that they qualified for a lower management expense ratio (MER) series of those mutual funds (the **MER Control and Supervision Inadequacy**). As a result, these clients indirectly paid excess fees that were not detected or corrected by the Assante Dealers in a timely manner.
5. Commission Staff do not allege, and have found no evidence of dishonest conduct by the Assante Dealers.
6. In connection with the reporting of the MER Control and Supervision Inadequacy, the Assante Dealers formulated an intention to pay appropriate compensation to clients and former clients.
7. The Assante Dealers took corrective action by implementing CIII's preferred pricing program in May 2017 which ensures that a lower MER is automatically applied to a client's CIII holdings as soon as the client's assets meet various asset thresholds.

(c) **THE ASSANTE DEALERS' CONDUCT**

8. Beginning in August 2011, certain clients of the Assante Dealers may not have been advised of their eligibility to enroll in CIII's private investment management program (the **PIM Program**), through which they could have opened a PIM Program account in order to invest in the PIM series of a particular CIII mutual fund which had a lower MER as compared to such clients' investment in the standard series of the same fund.

**C. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST**

Commission Staff allege the following breaches of Ontario securities law and conduct contrary to the public interest:

1. With respect to the MER Control and Supervision Inadequacy, the Assante Dealers failed to establish, maintain and apply procedures to establish controls and supervision:
  - a. sufficient to provide reasonable assurance that the Assante Dealers, and each individual acting on behalf of the Assante Dealers, 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 the Assante Dealers to correct the non-compliant conduct in a timely manner.
2. 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* and was contrary to the public interest.

**DATED** at Toronto, December 18, 2017

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