

IN THE MATTER OF
THE *SECURITIES ACT*, R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")

- and -

IN THE MATTER OF
CREDENTIAL ASSET MANAGEMENT INC. ("Respondent")

**STATEMENT OF ALLEGATIONS OF THE DIRECTOR OF ENFORCEMENT
FOR THE NOVA SCOTIA SECURITIES COMMISSION**

The Director of Enforcement for the Nova Scotia Securities Commission ("Commission") makes the following allegations and identifies the following circumstances giving rise to the requested hearing:

THE RESPONDENT:

1. The Respondent is an extra-provincial corporation registered to carry on business in Nova Scotia, with registered office located at Suite 800, 1111 West Georgia Street, Vancouver, British Columbia.
2. The Respondent is a wholly-owned subsidiary of Credential Financial Inc.
3. The Provincial Credit Union Centrals (credit union system) own fifty percent (50%) of Credential Financial Inc.
4. During the period 1999 to 2008, the Respondent was the mutual fund dealer for Credit Union Atlantic ("CUA").
5. At all material times, the Respondent was a registered mutual fund dealer in Nova Scotia.

BACKGROUND:

6. In 1999, Client X opened an investment account with the Respondent through CUA.
7. This account was comprised of a registered education savings plan, a registered retirement savings plan, and a non-registered account.
8. The registered accounts were managed by a number of representatives of the Respondent until in or about the autumn of 2008 when CUA changed its mutual fund dealer. Client X's registered accounts were then transferred to the CUA's new mutual fund dealer. The non-registered account remained with the Respondent until Client X closed it in March of 2010.
9. In April of 2010, the Director of Enforcement for the Commission received a letter of complaint from Client X regarding the Respondent's handling of her above-noted accounts.

10. Client X complained that the Respondent did not invest her funds in the manner she instructed during the period 1999 to the autumn of 2008 and March of 2010 when her registered accounts were transferred and her non-registered account was closed, respectively.
11. In July of 2010, the Respondent informed Enforcement Staff that it was unable to locate its file for Client X.
12. The Respondent was unable to produce copies of the Know Your Client documents for Client X.
13. The Respondent was able to produce an electronic printout of a Know Your Client document dated in 2003 that stated Client X's investment objective was 100% income.
14. Client X's portfolio was inconsistent with this 100% income objective.
15. However, the electronic device used by the Respondent for storage of Client X's records contained inaccurate information pertaining to her general investment needs and objectives.
16. 18 months later, in April 2012, the Respondent informed Enforcement Staff that it had located its file for Client X.
17. When this paper file was produced, Client X's investments were found to be consistent with her general investment needs and objectives.
18. The Respondent was still unable to produce copies of the Know Your Client documents for Client X.
19. The Respondent had not updated Client X's file since 2003. The Respondent was therefore not able to determine whether Client X's investment objectives and needs had changed. Similarly, it was not able to assess whether her investments continued to be suitable.

VIOLATIONS:

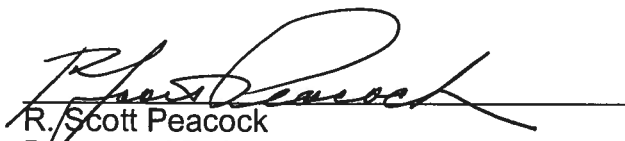
The Director of Enforcement for the Commission identifies the following reasons why the order being sought should be granted:

20. By failing to maintain books and records necessary for the proper recording of its business transactions and financial affairs, the Respondent violated section 30(1) of the Securities Regulations, as rep. by Commission Rule 31-801 (15 July 2009, effective 28 September 2009).
21. By failing to store records in an accurate form and by failing to provide them to the Enforcement Staff with a reasonable time, the Respondent violated section 30(2)(b) of the Securities Regulations, as rep. by Commission Rule 31-801 (15 July 2009, effective 28 September 2009).
22. By failing to maintain books and records appropriate to its business, the

Respondent violated section 30(3) of the Securities Regulations, as rep. by Commission Rule 31-801 (15 July 2009, effective 28 September 2009).

23. By failing to make enquiries of Client X to determine her general investment needs and objectives, the Respondent violated section 31(4)(b)(i) of the Securities Regulations, as rep. by Commission Rule 31-801 (15 July 2009, effective 28 September 2009).
24. The Respondent's conduct was detrimental to the integrity of the capital markets and contrary to the public interest in violation of section 1A(1) of the Act.

DATED at Halifax, Nova Scotia, this 31st day of October, 2012.


R. Scott Peacock
Director of Enforcement
Nova Scotia Securities Commission
Enforcement Branch