

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")

**ORDER**  
(Sections 134, 135, and 135A)

**WHEREAS** on November 8, 2012 the Nova Scotia Securities Commission ("Commission") issued a Notice of Hearing to the Respondent pursuant to sections 134, 135, and 135A of the Act and on February 26, 2013 the Commission issued an Amended Notice of Hearing pursuant to sections 134, 135, and 135A of the Act;

**AND WHEREAS** the Respondent entered into a Settlement Agreement with the Director of Enforcement for the Commission, Enforcement Branch ("Director of Enforcement"), on February 25, 2013 whereby it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

**AND WHEREAS** the Director of Enforcement recommended approval of the Settlement Agreement;

**AND UPON** reviewing the Settlement Agreement and the Notice of Hearing, and upon hearing the submissions of Stephanie Atkinson, counsel for the Director of Enforcement, and Jeffrey Ablett, counsel for the Respondent;

**AND UPON** the Commission considering it to be in the public interest to make this Order;


**IT IS HEARBY ORDERED that:**

1. The Settlement Agreement dated February 25, 2013, a copy of which is attached, is approved;
2. Pursuant to section 134(1)(a) of the Act, the Respondent shall comply with Nova Scotia securities laws;
3. Pursuant to section 135(a)(i) and 135(b) of the Act, the Respondent shall forthwith pay an administrative penalty in the amount of fourteen thousand dollars (\$14,000.00); and

4. Pursuant to section 135A of the Act, the Respondent shall forthwith pay costs in connection with the investigation and conduct of the proceedings before the Commission in the amount of one thousand dollars (\$1,000.00).

**DATED** at Halifax, Nova Scotia, this 5<sup>th</sup> day of March, 2013.

**NOVA SCOTIA SECURITIES COMMISSION**

  
\_\_\_\_\_  
Paul Radford, Q.C., Chair

  
\_\_\_\_\_  
Sandra MacPherson Duncan, Q.C., Commissioner

  
\_\_\_\_\_  
Valerie Seager, Commissioner

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

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CREDENTIAL ASSET MANAGEMENT INC. ("Respondent")

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION**

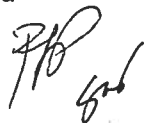
1. The Parties to this Settlement Agreement ("Agreement") are the Respondent and the Director of Enforcement for the Nova Scotia Securities Commission ("Director of Enforcement").
2. The Parties agree that the Nova Scotia Securities Commission ("Commission") has jurisdiction over this matter.
3. The Parties agree to recommend to the Commission approval of this Agreement in accordance with the terms and process set out herein.

**PART II – PROCEDURE FOR APPROVAL OF THE AGREEMENT**

4. The Director of Enforcement agrees to request that a Notice of Hearing be issued setting down a hearing ("Settlement Hearing") wherein the Commission will consider whether it is in the public interest to approve this Agreement and to issue an Order in the form attached as **Schedule "A"**.
5. The Parties agree that the Agreement constitutes the entirety of evidence to be submitted to the Commission at the Settlement Hearing.
6. The Director of Enforcement agrees to recommend that the allegations acknowledged and admitted by the Respondent be resolved and disposed of in accordance with this Agreement.
7. The Parties acknowledge that this Agreement will become a public document upon its approval by the Commission at the Settlement Hearing.

**PART III – STATEMENT OF AGREED FACTS**

8. The Director of Enforcement and the Respondent agree with the facts and conclusions set out in this Part of the Agreement.

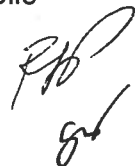
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9. The Respondent is an extra-provincial corporation registered to carry on business in Nova Scotia with registered office located at Suite 800, 1111 West Georgia Street, Vancouver, British Columbia.
10. The Respondent is a wholly-owned subsidiary of Credential Financial Inc.
11. The Provincial Credit Union Centrals (credit union system) own 50% of Credential Financial Inc.
12. During the period 1999 to 2008, the Respondent was the mutual fund dealer for Credit Union Atlantic ("CUA").
13. At all material times, the Respondent was a registered mutual fund dealer in Nova Scotia.
14. In 1999, Client X opened an investment account with the Respondent through CUA.
15. This account was comprised of a registered education savings plan, a registered retirement savings plan, and a non-registered account.
16. 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 had it closed in March of 2010.
17. In April of 2010, the Director of Enforcement received a letter of complaint from Client X regarding the Respondent's handling of her above-noted accounts.
18. 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.
19. In July of 2010, the Respondent informed Enforcement Staff that it was unable to locate its file for Client X.
20. The Respondent was unable to produce copies of the Know Your Client documentation for Client X.
21. The Respondent provided an electronic printout dated in 2003 that stated Client X's investment objective was 100% income.

22. Client X's portfolio was inconsistent with a 100% income objective.
23. 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.
24. 18 months later, in April 2012, the Respondent informed Enforcement Staff that it had located its file for Client X.
25. When this paper file was produced, Client X's investments were found to be consistent with her general investment needs and objectives.
26. The Respondent was still unable to produce copies of the Know Your Client documentation for Client X.
27. The Respondent had not updated Client X's file since 2003.
28. 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).
29. 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).
30. By failing to store records in an accurate form and by failing to provide them to the Director of Enforcement within a reasonable time, the Respondent violated parts 11.5(1)(a) and 11.6(1)(c) of National Instrument 31-103.
31. The Respondent's conduct was contrary to the public interest.

**PART IV – STATEMENT OF ALLEGATIONS ACKNOWLEDGED AND ADMITTED BY THE RESPONDENT**

32. The Respondent admits the facts set forth in Part III herein and acknowledges and admits that it violated sections 30(1) and 30(3) of the Securities Regulations, as rep. by Commission Rule 31-801 (15 July 2009, effective 28 September 2009), and parts 11.5(1)(a) and 11.6(1)(c) of National Instrument 31-103.
33. The Respondent acknowledges that its actions were contrary to the public interest.

Handwritten signature in black ink, appearing to be 'RFB' with a flourish below it.

## **PART V – MITIGATING FACTORS**

34. The Respondent acknowledges and accepts responsibility for its conduct which is the subject matter of this Agreement.
35. The Respondent cooperated with the Director of Enforcement's investigation of this matter.

## **PART VI – TERMS OF SETTLEMENT**

36. The terms of settlement are set forth in the order contained in **Schedule "A"** to this Agreement which is expressly incorporated herein.
37. The Respondent consent to the order contained in **Schedule "A"**.

## **PART VII – COMMITMENTS**

38. If this Agreement is approved and the Order as set out in **Schedule "A"** is granted, the Parties agree to waive any right to a full hearing and judicial review and appeal of this matter.
39. If this Agreement is approved by the Commission, the Parties will not in any way make any statement, public or otherwise, that is inconsistent with the terms of this Agreement.
40. If this Agreement is approved by the Commission, the Respondent agrees to abide by all terms of this Agreement as set out in the Order attached as **Schedule "A"**.
41. If, for any reason whatsoever, this Agreement is not approved, or the Order set forth in **Schedule "A"** is not granted by the Commission:
  - a. The Director of Enforcement and the Respondent will be entitled to proceed to a hearing of the allegations which are the subject matter of this Agreement unaffected by the Agreement or the settlement negotiations;
  - b. The terms of the Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of the Director of Enforcement and the Respondent or as may otherwise be required by law; and
  - c. The Respondent agrees that it will not raise in any proceeding the Agreement or the negotiations or process of approval thereof as a

basis of any attack or challenge of the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.

42. If, in the view of the Director of Enforcement and prior to the approval of this Agreement by the Commission, there are new facts or issues of substantial concern regarding the facts set out in Part III of this Agreement, the Director of Enforcement will be at liberty to withdraw from this Agreement. Notice of such intention will be provided to the Respondent in writing. In the event of such notice being given, the provisions of paragraph 41 in this Part will apply as if this Agreement had not been approved in accordance with the procedures set out herein.

#### VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

43. The Director of Enforcement or the Respondent may refer to any or all parts of this Agreement as required by the General Rules of Practice and Procedure and in the course of the Settlement Hearing. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all Parties to it until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.

#### IX – EXECUTION OF SETTLEMENT AGREEMENT

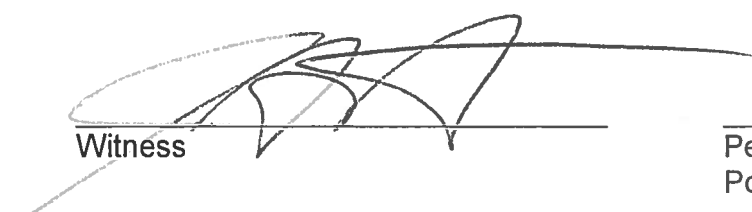
44. This Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.


Vancouver, British Columbia  
Dated at ~~Halifax, Nova Scotia~~, this 21<sup>st</sup> day of February, 2013.

**SIGNED, SEALED AND DELIVERED**  
In the presence of:

**CREDENTIAL ASSET MANAGEMENT  
INC.**

Witness



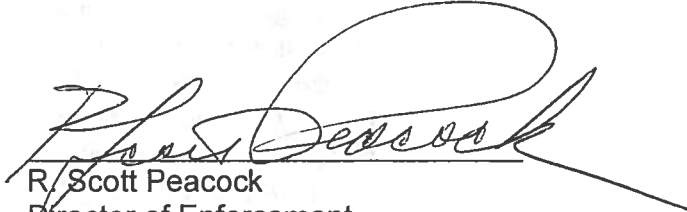
Per:   
Position: SVP, Legal & Risk

Dated at Halifax, Nova Scotia, this 25 day of February, 2013.

**SIGNED, SEALED AND DELIVERED**  
In the presence of:

**NOVA SCOTIA SECURITIES COMMISSION**

  
\_\_\_\_\_  
Witness

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



**SCHEDULE "A"**

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- and -

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("Respondent")

**ORDER**

(Sections 134(1)(a), 135, and 135A)

**WHEREAS** on \_\_\_\_\_, 2013 the Nova Scotia Securities Commission ("Commission") issued a Notice of Hearing to the Respondent pursuant to sections 134(1)(a), 135, and 135A of the Act;

**AND WHEREAS** the Respondent entered into a Settlement Agreement with the Director of Enforcement for the Nova Scotia Securities Commission, Enforcement Branch ("Director of Enforcement") whereby it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

**AND WHEREAS** the Director of Enforcement recommended approval of the Settlement Agreement;

**AND UPON** reviewing the Settlement Agreement and the Notice of Hearing, and upon hearing the submissions of Stephanie Atkinson, counsel for the Director of Enforcement, and Jeffrey Ablett, counsel for the Respondent;

**AND UPON** the Commission considering it to be in the public interest to make this Order;

**IT IS HEREBY ORDERED** that:

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2. Pursuant to section 134(1)(a) of the Act, the Respondent shall comply with Nova Scotia securities laws;
3. Pursuant to section 135 of the Act, the Respondent shall forthwith pay an administrative penalty in the amount of fourteen thousand dollars (\$14,000.00); and



4. Pursuant to section 135A of the Act, the Respondent shall forthwith pay costs in connection with the investigation and conduct of the proceedings before the Commission in the amount of one thousand dollars (\$1,000.00).

**DATED** at Halifax, Nova Scotia, this    day of                    , 2013.

**NOVA SCOTIA SECURITIES COMMISSION**

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Chair