

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

- AND -

IN THE MATTER OF  
UNION SECURITIES LIMITED ("Respondent")

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION**

1. The parties to this Settlement Agreement ("Agreement") are the Respondent and Staff of the Nova Scotia Securities Commission.
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. Staff of the Commission ("Staff") 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. Staff 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. Staff and Respondent agree with the facts and conclusions set out in this Part of the Agreement.



9. The Respondent has been registered under the Act as a Broker and Investment Dealer since the 24<sup>th</sup> of June 1999 and facilitated retail and institutional trades in securities as well as providing advice to investors.
10. The Respondent operated a branch in Halifax under the direction and supervision of a certain branch manager from 30<sup>th</sup> of January 2002 to the 4<sup>th</sup> of February 2008.
11. The branch manager of the Halifax branch abruptly resigned on the 4<sup>th</sup> of February 2008 without notice to the Respondent who began making immediate efforts to implement a compliance plan to ensure there was continuous supervision at the Halifax branch.
12. The Respondent submitted an application for exemptive relief from the branch manager requirement contained in section 22(2) of the Securities Regulations on the 29<sup>th</sup> of May 2008, which included a compliance program outlining practices and procedures to ensure continuous supervision of the Halifax branch by a branch manager in Moncton, New Brunswick and by compliance staff of the Respondent in its Vancouver, British Columbia head office.
13. Staff determined that the compliance program as submitted by the Respondent did not provide an adequate amount of supervision of the Halifax branch. In particular, Staff required the plan to include the following:
  - a. **Copies of all Know Your Client forms be provided to the branch manager in Moncton, New Brunswick; and**
  - b. **Regularly scheduled in-person visits to the Halifax branch by the branch manager in Moncton, New Brunswick.**
14. The Respondent agreed to immediately implement these changes to its compliance program and on the 15<sup>th</sup> of July 2008 Staff accepted the Respondent's compliance program as adequate.
15. The Respondent operated the Halifax branch with a branch manager who was not a permanent resident of Nova Scotia for 169 days from the 4<sup>th</sup> of February 2008 until the 23<sup>rd</sup> of July 2008, thereby violating section 22(2) of the Securities Regulations.
16. Between the 4<sup>th</sup> of February 2008 and the 15<sup>th</sup> of July 2008, the Respondent operated its Halifax branch without a branch manager who was a permanent resident of Nova Scotia, without an exemption, and without an acceptable compliance plan, thereby violating section 31(1) of the Securities Regulations.



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

17. The Respondent acknowledges and admits that by operating its Halifax branch with a branch manager who was not a permanent resident of Nova Scotia for 169 days that it violated section 22(2) of the Securities Regulations.
18. The Respondent acknowledges and admits that by failing to implement a compliance plan acceptable to Staff between the 4<sup>th</sup> of February 2008 and the 15<sup>th</sup> of July 2008, it violated section 31(1) of the Securities Regulations.
19. The Respondent acknowledges that while it operated its Halifax branch with a branch manager who was not a permanent resident in Nova Scotia (or obtaining an exemption), its actions violated Nova Scotia securities laws and were contrary to the public interest.
20. The Respondent admits the facts set forth in Part III herein and acknowledges that it violated the Act.

#### **PART V - MITIGATING FACTORS**

21. The Respondent acknowledges and accepts responsibility for its conduct which is the subject matter of this Agreement.
22. The Respondent cooperated with Staff's investigation of this matter.
23. During the period from the 4<sup>th</sup> of February 2008 until the 29<sup>th</sup> of May 2008, there were approximately 300 trades originating from the Respondent's Halifax branch, representing an average of approximately 4 trades per day, of which over 70% involved only 10 investor accounts and all such trades were consistent with the previous trading in those accounts and consistent with the stated investment objectives of those clients of the Respondent.
24. During the period from the 4<sup>th</sup> of February 2008 until the 29<sup>th</sup> of May 2008, there were no client complaints from the Halifax branch.
25. The Commission granted temporary exemptive relief of the branch manager requirement of section 22(2) of the Securities Regulations upon application by the Respondent, which relief was granted on the 23<sup>rd</sup> day of July 2008, and has subsequently renewed the relief upon application by the Respondent, which renewals were granted on the 29<sup>th</sup> day of October 2008, and the 4<sup>th</sup> day of February 2009.
26. At all material times, the Respondent has been actively engaged in the process of recruiting a replacement resident branch manager for its Halifax branch.



## PART V – TERMS OF SETTLEMENT

27. The terms of settlement are set forth in the order contained in Schedule "A" to this Agreement which is expressly incorporated herein.
28. The Respondent consents to the order contained in Schedule "A".

## PART VI – COMMITMENTS

29. 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.
30. 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.
31. 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".
32. 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. Staff 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 Staff 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.
33. If, in the view of Staff 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, Staff will be at liberty to withdraw from this Agreement. Notice of such intention will be provided to Respondent in writing. In the event of such notice being given, the provisions of paragraph 32 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**

34. Staff and 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 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**

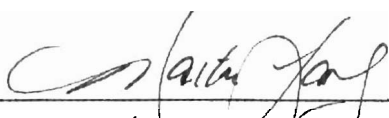
35. This Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

Dated this 30<sup>th</sup> day of April 2009.

SIGNED, SEALED AND DELIVERED  
In the presence of:

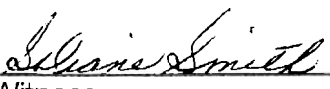
  
\_\_\_\_\_  
Witness

Union Securities Limited

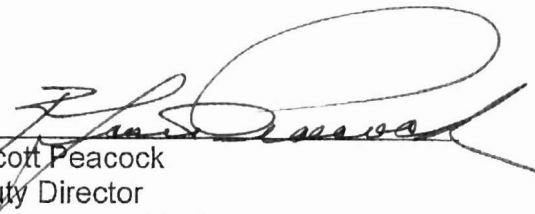
  
\_\_\_\_\_  
Per: MARTIN KANG  
Position: CHIEF COMPLIANCE OFFICER

Dated this 4<sup>th</sup> day of ~~April~~ <sup>May</sup> 2009. RS

SIGNED, SEALED AND DELIVERED  
In the presence of:

  
\_\_\_\_\_  
Witness

Staff of the Nova Scotia Securities  
Commission

  
\_\_\_\_\_  
Per: R. Scott Peacock  
Deputy Director  
Compliance and Enforcement  
Nova Scotia Securities Commission

**SCHEDULE "A"**

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

- AND -

IN THE MATTER OF  
UNION SECURITIES LIMITED ("Respondent")

**ORDER**

(Sections 135, 135A)

**WHEREAS** on \_\_\_\_\_, 2009, the Nova Scotia Securities Commission ("Commission") issued a Notice of Hearing to the Respondent pursuant to sections 135 and 135A of the Act;

**AND WHEREAS** the Respondent entered into a settlement agreement with Staff of the Commission ("Staff") whereby it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

**AND WHEREAS** Staff recommended approval of the settlement agreement;

**AND WHEREAS** the Commission is of the opinion that the Respondent has contravened the Act and it is in the public interest to make this Order;

**AND UPON** reviewing the settlement agreement and the Notice of Hearing, and upon hearing submissions of counsel for Staff and the Respondent;

**IT IS HEREBY ORDERED**, pursuant to sections 135 and 135A of the Act, that:

1. the settlement agreement dated \_\_\_\_\_, 2009, a copy of which is attached, is approved;
2. pursuant to section 135 of the Act, the Respondent shall pay an administrative penalty in the amount of twenty-five thousand dollars (\$25,000.00) forthwith; and
3. pursuant to section 135A of the Act, the Respondent shall pay costs in connection with the investigation and conduct of the proceedings before the Commission in the amount of two thousand dollars (\$2,000.00) forthwith;

DATED at Halifax, Nova Scotia, this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

NOVA SCOTIA SECURITIES COMMISSION

\_\_\_\_\_  
(Chairman)

