

**IN THE MATTER OF THE SECURITY FRAUDS PREVENTION ACT
R.S.N.B. 1973, c. S-6 AS AMENDED**

AND

**IN THE MATTER OF
CMG – WORLDSOURCE FINANCIAL SERVICES INC.**

ORDER

WHEREAS on December 5, 2000, the Administrator of the Securities Administration Branch issued a Notice of Hearing in respect of CMG – Worldsource Financial Services Inc. ("CMG");

AND WHEREAS CMG entered into a settlement agreement dated December 29, 2000 (the "Settlement Agreement") in which it agreed to a proposed settlement of the proceeding, subject to the approval of the Administrator;

AND UPON REVIEWING the Settlement Agreement and the statement of allegations of Staff of the Branch;


AND WHEREAS the Administrator is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

- (1) the Settlement Agreement, a copy of which is attached to this Order, is hereby approved; *as amended pursuant to our discussions today so that paragraphs (b) and (c) of section 5.1 of Settlement Agreement*
- (2) CMG pay, pursuant to section 25(2) of the Security Frauds Prevention Act an amount of \$5,000 to the Minister of Finance for the Province of New Brunswick, for the costs of the investigation.

DATED this 11th day of January, 2001.


DONNE W. SMITH, Jr.
Administrator

*should read
January 31, 2001*


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SETTLEMENT AGREEMENT

I INTRODUCTION

- 1.1 CMG - Worldsource Financial Services Inc. ("CMG") is a broker registered in New Brunswick to trade in securities.
- 1.2 In the course of a compliance review, staff of the Securities Administration Branch ("Staff") learned that salespersons employed by CMG in other provinces may be engaging in trading as defined in section 3(1) (c) of Regulation 84-128 under the *Security Frauds Prevention Act* in connection with accounts of New Brunswick residents. These salespersons were not registered in New Brunswick.
- 1.3 CMG provided a list of 22 salespersons, responsible for New Brunswick accounts, who were not registered in New Brunswick.
- 1.4 CMG has agreed to either submit application for the registration of these salespersons or provide confirmation that they have transferred the accounts to a registered salesperson, to ensure compliance with New Brunswick's legislation.

II STATEMENT OF FACTS

- 2.1 CMG acknowledges the following facts as correct only for the purposes of securities regulatory proceedings in the Province of New Brunswick and for no other purposes.
- 2.2 CMG is a body corporate, incorporated under the laws of Ontario on October 29, 1991 and registered in New Brunswick as an Extra-Provincial Corporation on November 23, 1995 by Certificate 075190.
- 2.3 On January 15, 1996, CMG was registered as a broker licensed to trade securities in New Brunswick, restricted to distributing mutual funds approved for distribution in New Brunswick, and has been registered continuously since that date.
- 2.4 CMG is also registered for the trading of securities in Alberta, Manitoba, Newfoundland, Ontario, Quebec, British Columbia, Nova Scotia and Saskatchewan.

- 2.5 On March 27th and 28th, 2000, a compliance review of the Saint John branch office was conducted.
- 2.6 As a result of information obtained during the compliance review, on May 10, 2000, the Deputy Administrator, Enforcement and Compliance, Ed LeBlanc made a request to CMG Vice President, Compliance, Sandra Kegie, for, among other things, the name and address of all CMG New Brunswick clients that were serviced by a non-resident CMG salesperson and the name and address of the CMG non-resident salesperson servicing each account.
- 2.7 The requested information was provided with a letter from Sandra Kegie dated May 19, 2000 and revealed that CMG had 22 salespersons who were not registered in New Brunswick but who had maintained accounts on behalf of New Brunswick clients.
- 2.8 By letter dated July 10, 2000 from Administrator, Donne W. Smith, CMG was required to confirm, by July 31, 2000, that among other things, "... all New Brunswick residents, serviced by a non-resident, unregistered representative, were being serviced by New Brunswick registered representatives."
- 2.9 CMG sought clarification of the Administrator's request on July 25, 2000. CMG has not, to date, provided the confirmation requested by the Administrator.
- 2.10 CMG has permitted unregistered salespersons to maintain accounts on behalf of New Brunswick clients over a period of years.
- 2.11 By permitting this activity, CMG has saved approximately \$15,000 in registration fees and may have benefited from commissions earned on trades executed for its New Brunswick clientele by unregistered representatives.
- 2.12 In addition, the investigation of the activities by CMG and its staff has cost the Branch approximately \$5,000.

III POSITION OF THE RESPONDENT

- 3.1 CMG sought clarification of the confirmation sought by the Administrator because its understanding of common practice was that registration was not required for representatives in other provinces who maintained accounts for New Brunswick residents when the accounts were dormant or the activity was restricted to redemptions or the reinvestment of dividends.
- 3.2 The accounts referred to in paragraph 2.7 are either dormant or accounts in which the activity has been restricted to redemptions or the reinvestment of dividends.

- 3.3 CMG has cooperated throughout with Staff of the Securities Administration Branch in the investigation of the activities referred to in Part II of this agreement.

IV JOINT SETTLEMENT RECOMMENDATION

- 4.1 The staff of the Securities Administration Branch ("Staff") agree to recommend settlement in accordance with the terms and conditions set out below.
- 4.2 CMG agrees to the settlement based on the facts set out in Part II and consents to the making of an order on the basis of those facts.
- 4.3 This Settlement Agreement will be released to the public only if and when the settlement is approved by the Administrator.

V TERMS OF SETTLEMENT

- 5.1 CMG agrees to:

- (a) ensure that no salesperson, sponsored by CMG, trades on behalf of New Brunswick residents, without being registered in New Brunswick;
- (b) submit applications, by January 12, 2001, for registration of all representatives who continue to trade on behalf of New Brunswick residents;
- (c) submit confirmation by January 12, 2001, of the transfer of any clients whose salesman has chosen to not be registered in New Brunswick to a registered salesman;
- (d) voluntarily make a contribution of \$15,000 for the purposes of investor education to a payee to be determined by the Administrator; and
- (e) pay, pursuant to section 25(2) of the *Security Frauds Prevention Act*, an amount of \$5,000 to the Minister of Finance for the Province of New Brunswick for the costs of the investigation.

VI STAFF COMMITMENT

- 6.1 Staff agree that, in relation to the activities described in Part II of this agreement, they:
- (a) will not seek suspension, cancellation or any other disciplinary order in respect of CMG's registration;
 - (b) will not take any separate action against CMG, nor any of CMG's unregistered representatives, nor any of the company's officers;

- (c) will accept and review each non-resident representative's application on its own merits, separate and apart from any activities identified in this settlement agreement with CMG.

VII PROCEDURE FOR APPROVAL OF SETTLEMENT

- 7.1 Upon execution of this agreement by staff and by CMG, staff will apply to the Administrator for an order approving the terms set out herein.
- 7.2 If this Settlement Agreement is approved by the Administrator, it will constitute the entirety of the evidence to be submitted respecting CMG in this matter and CMG agrees to waive any right to a hearing and/or appeal with respect to this matter.
- 7.3 If, for any reason whatsoever, this settlement is not approved by the Administrator, or the order set forth in Schedule "A" is not made by the Administrator:
 - (a) staff and CMG will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing, unaffected by the Settlement Agreement or the settlement negotiations;
 - (b) the terms of this agreement will not be referred to in any subsequent proceeding, or disclosed to any person, except with the written consent of both Staff and CMG or as may be required by law; and
 - (c) CMG further agrees that it will not raise, in any proceeding, the Settlement Agreement or the negotiation or process of approval thereof, as a basis for any attack on the jurisdiction of the Administrator, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.

VIII DISCLOSURE OF SETTLEMENT AGREEMENT

- 8.1 The terms of the Settlement Agreement will be treated as confidential by both parties hereto until approved by the Administrator and forever if, for any reason, the Settlement agreement is not approved by the Administrator.
- 8.2 Any obligation as to confidentiality shall terminate upon the approval of this Settlement Agreement by the Administrator and it will become public information.

IX EXECUTION OF SETTLEMENT AGREEMENT

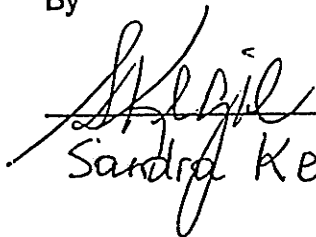
9.1 This Settlement Agreement shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

DATED this 29th day of December, 2000.

SIGNED, SEALED AND DELIVERED

CMG - Worldsource Financial Services Inc.

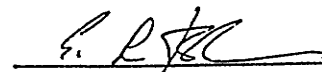
By



Sandra Kegie

Staff of the Securities Administration
Branch

By



Ed LeBlanc
Deputy Administrator
Compliance and Enforcement

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DONNE W. SMITH, Jr.
Administrator