



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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Toronto ON M5H 3S8

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Toronto ON M5H 3S8

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- AND -

**IN THE MATTER OF
KNOWLEDGE FIRST FINANCIAL INC.**

**TEMPORARY ORDER
(Subsections 127(1) and (5))**

WHEREAS it appears to the Ontario Securities Commission (the “Commission”) that:

1. Knowledge First Financial Inc. (“KFFI”) distributes units of three distinct savings plans (the “Plans”) which are Registered Education Savings Plans (“RESPs”);
2. KFFI has been registered with the Commission as a scholarship plan dealer since March 14, 2003;
3. From October 2011 to January 2012 inclusive, Staff conducted a compliance review at KFFI’s head office in Mississauga, Ontario and at KFFI’s various branch locations in the Greater Toronto Area;
4. Staff alleged a number of compliance deficiencies which were set out in Staff’s compliance report dated June 14, 2012;

AND WHEREAS the terms and conditions require KFFI to retain an independent monitor and an independent consultant that are approved by the Compliance and Registrant Regulation Branch of the Commission to assist KFFI in implementing plans to strengthen its compliance system;

AND WHEREAS KFFI’s counsel advised that KFFI has reviewed and consents to the terms of this Temporary Order without prejudice to any position that KFFI may take subsequently;

AND WHEREAS the Commission is of the opinion that the time required to conclude a hearing could be prejudicial to the public interest as set out in subsection 127(5) of the Act;

AND WHEREAS the Commission considers that it is in the public interest to make this Order;

AND WHEREAS by Authorization Order made June 13, 2012, pursuant to subsection 3.5(3) of the Act, each of Howard I. Wetston, James E. A. Turner, Kevin J. Kelly, James D. Carnwath, Mary G. Condon, Margot C. Howard, Paulette L. Kennedy, Vern Krishna, Christopher Portner and Edward P. Kerwin, acting alone, is authorized to exercise the powers of the Commission under the Act and, subject to subsection 3.5(4) of the Act, to make orders under section 127 of the Act;

IT IS HEREBY ORDERED pursuant to section 127 of the Act that:

1. under paragraph 1 of subsection 127(1) of the Act, the terms and conditions set out in Schedule “A” to this Order are imposed on KFFI’s registration;
2. the Temporary Order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by order of the Commission;
3. the matter will be brought back before the Commission on August 21, 2012 at 3:30 p.m. for the purpose of providing the Commission with an update on the implementation of the terms and conditions imposed on KFFI and to consider whether it is in the public interest to extend the Temporary Order; and
4. Staff shall be free to reapply to the Commission in the event that it has concerns with the application or operation of any provision of this Order.

DATED at Toronto this 10th day of August, 2012.

“James E. A. Turner”

James. E. A. Turner

SCHEDULE “A”

Proposed Terms and Conditions Knowledge First Financial Inc. (“KFFI”)

1. KFFI shall retain, at its own expense, within 20 days of this Order, an independent consultant (the “Consultant”) that is approved by a Manager in the Compliance and Registrant Regulation Branch of the Ontario Securities Commission (the “OSC Manager”) to:
 - (a) prepare and assist KFFI in implementing a plan (the "Plan") to strengthen KFFI's "compliance system" within the meaning of section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, including the expected dates of completion and person(s) responsible for the implementation. In the Plan, the Consultant will examine KFFI's operations, internal policies, practices and procedures and make recommendations for rectifying all identified compliance deficiencies raised in a Compliance Report dated June 14, 2012, including but not limited to, in relation to:
 - i. documenting and collecting clients' know-your-client information ("KYC Information");
 - ii. ensuring that all trades are suitable for KFFI's clients;
 - iii. training dealing representatives; and
 - iv. overseeing branch locations and performing branch audits;
 - (b) review KFFI's progress with respect to implementation of the Plan, and
 - (c) submit written progress reports (“Progress Reports”) to the OSC Manager detailing KFFI's progress with respect to the implementation of the Plan and stating whether the specific recommendations included in the Plan have been implemented and, if not, the expected date of completion and person(s) responsible for the implementation.
2. The Plan and the Progress Reports must be reviewed and approved by the ultimate designated person (“UDP”) and chief compliance officer (“CCO”) of KFFI, and signed by the UDP and CCO of KFFI as evidence of their review and approval.
3. The Consultant shall provide the Plan to the OSC Manager no later than 60 days from the date of this Order for review and approval.
4. KFFI shall retain a monitor that is independent of KFFI and that is approved by the OSC Manager (the "Monitor"). The Monitor must be in place no later than 10 business days from the date of this Order, to carry out the activities described in paragraph 5, for any new clients or new accounts from existing clients (collectively "New Clients").
5. Until such time as the Plan has been approved by the OSC Manager, the Monitor will:

- (a) review all applications from New Clients of KFFI for the purpose of ensuring adequate KYC information in order to determine suitability of the investment. Should the Monitor not be satisfied with the KYC Information for this purpose, the Monitor will contact the New Client; and
 - (b) contact the following additional New Clients of KFFI;
 - i. 100% of all New Clients with an income less than or equal to \$50,000;
 - ii. a random sample of 20% of all New Clients with an income greater than \$50,000 and less than or equal to \$70,000; and
 - iii. a random sample of 10% of all New Clients with an income greater than \$70,000.
6. The Monitor will use best efforts to contact the New Clients of KFFI as set out in paragraph 5 within 30 days of the client's investment for the purpose of confirming:
- (a) the accuracy of the client's KYC Information;
 - (b) that the investment is suitable for the client including that the client has the ability to make the payments for the investment time horizon; and
 - (c) that the client understands the fee structure of the investment including the impact of enrolment fees on early termination of the investment and any fees and charges as a result of missed payments.
7. In the event that the Monitor determines that the investment was not suitable to the client, the investment shall be unwound at no cost to the client and any deposits made will be returned in full to the client. In the event the Monitor determines that the client did not understand the fee structure, the Monitor will explain the fee structure and advise the client of the client's option to unwind the investment, at no cost to the client, within 60 days following the investment. In the event that after using its best efforts to attempt to contact a New Client on at least three separate occasions, the Monitor has been unsuccessful in reaching the New Client and has been unable to confirm the information set out in paragraph 6(a) above, then no further efforts by the Monitor to contact that New Client in accordance with paragraph 5(b) will be required.
8. KFFI will disclose to New Clients that their investment will be unwound if the Monitor determines the investment is not suitable for them.
9. The Monitor shall provide bi-weekly reports of its findings to the OSC Manager.
10. The Plan to be submitted by the Consultant shall include a continuing role for the Monitor during the period after the Plan has been approved and until the Plan has been fully implemented in relation to the items set out in paragraph 5 above and to allow for the unwinding of investments at no cost to the client where appropriate.
11. The Consultant shall submit Progress Reports to the OSC Manager every 30 days following delivery of the Plan to the OSC Manager until the Plan has been fully implemented.
12. Until the Plan has been fully implemented, KFFI is prohibited from opening any new branch locations, and may not sponsor any new dealing representatives, except so as to replace dealing representatives that depart KFFI subsequent to the date of this Order such that the aggregate number of KFFI's dealing representatives as of the date of this Order does not increase and only

on the condition that the Consultant has provided a letter in writing to the OSC Manager, in respect of each proposed dealing representative, confirming that the proposed dealing representative:

- (a) has received adequate training to sell the investment(s) offered by KFFI, including appropriate sales conduct and practices; and
 - (b) will be supervised by a branch manager that has the capacity and the demonstrated ability to properly oversee the proposed dealing representative.
13. KFFI shall immediately submit to the Commission a direction from KFFI giving consent to unrestricted access by staff of the Commission to communicate with the Consultant regarding KFFI's progress with respect to the implementation of the Plan or any of its specific recommendations.