



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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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 -

CI INVESTMENTS INC.

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff (“Staff”) of the Ontario Securities Commission (the “Commission”) make the following allegations:

I. THE RESPONDENT

1. CII is a corporation incorporated pursuant to the laws of Ontario. CII is registered with the Commission in a number of categories, including as an Investment Fund Manager and Portfolio Manager.

II. BACKGROUND

2. In June 2015, CII self-reported a matter to Staff relating to the understatement of the net asset value (“NAV”) of certain of its mutual funds for a period of over five years, as a result of which unitholders bought and redeemed units at an understated value.
3. The understatement of the NAVs arose from unrecorded interest (the “Interest”) that had accumulated between December 2009 and June 2015 in bank accounts set up by seven of CII’s mutual funds (the “Forward Funds”). The Interest was earned on money deposited by the Forward Funds as collateral for forward purchase agreements that were unique to these Forward Funds. The Interest, although accruing, was not recorded as an asset in the

accounts of the respective Forward Funds and not included in the NAV calculation of the Forward Funds. As a result, the NAV of each Forward Fund, and any fund that invested in the Forward Funds (the “Affected Funds”), was understated for several years and unitholders bought and redeemed units at an understated value.

4. When it reported the matter to Staff, CII advised Staff that:
 - a. CII intended to pay appropriate compensation to current and former investors of the Affected Funds; and
 - b. CII had begun taking corrective action, including implementing enhanced controls and supervision to prevent a re-occurrence of the matter in the future.

III. CII’s CONDUCT

5. From December 2009 to January 2012, CII launched the Forward Funds, which used cash collateral forward purchase agreements in order to gain exposure to investment opportunities on a tax efficient basis. The total Affected Funds consist of 23 CII mutual funds, as well as 69 segregated funds, which invested, directly or indirectly, in the Forward Funds.
6. There were inadequacies in CII’s system of controls and supervision to sufficiently address the unique cash collateral feature of the Forward Funds and to ensure that the Interest earned in the cash collateral accounts was recorded and included in the NAV calculation of the Forward Funds such that the unitholders’ NAV was understated (the “Forward Fund Control and Supervision Inadequacy”).

IV. BREACH OF ONTARIO SECURITIES LAW

7. With respect to the Forward Fund Control and Supervision Inadequacy, CII failed to establish, maintain and apply policies and procedures to establish a system of controls and supervision:
 - a. sufficient to (1) provide reasonable assurance that CII, and the individuals acting on behalf of CII, were in compliance with securities legislation; (2)

manage the risks associated with the development and monitoring of new products in accordance with prudent business practices; (3) accurately calculate NAVs of the Forward Funds at all times such that the NAV is not understated for unitholders; and (4) monitor and supervise its third-party service providers; and

- b. that was reasonably likely to identify and correct the Forward Fund Control and Supervision Inadequacy in a timely manner.
8. As a result, the Forward Fund Control and Supervision Inadequacy constituted a breach of section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.
 9. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, this 5th day February, 2016.