



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**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.**

ORDER

WHEREAS on August 10, 2012, the Ontario Securities Commission (the “Commission”) ordered pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5 as amended (the “Act”) and with the consent of Knowledge First Financial Inc. (“KFFI”) that the terms and conditions set out in Schedule “A” to the Commission orders (the “Terms and Conditions”) be imposed on KFFI (the “Temporary Order”);

AND WHEREAS on August 21, 2012, the Commission extended the Temporary Order against KFFI until November 14, 2012;

AND WHEREAS the Terms and Conditions required KFFI to retain a consultant (the “Consultant”) to prepare and assist KFFI in implementing plans to strengthen their compliance systems and to retain a monitor (the “Monitor”) to review all applications of New Clients and contact New Clients as defined and set out in the Terms and Conditions;

AND WHEREAS KFFI retained Deloitte & Touche LLP as its Monitor and retained Sanford Eprile & Company as its Consultant;

AND WHEREAS on September 24, 2012, KFFI brought an application for directions seeking interpretations of paragraphs 5 and 6 of the Terms and Conditions;

AND WHEREAS by order dated October 10, 2012, the Commission clarified the process to be followed by the Monitor including the suitability guidelines to be applied, set out the content of the Monitor’s bi-weekly reports and extended the time for the Monitor to complete calls to New Clients and, in appropriate cases, to unwind clients’ plans;

AND WHEREAS Sanford Eprile & Company has filed with the OSC Manager as required by the Terms and Conditions: (i) the Consultant's Plan dated October 10, 2012; (ii) an amended Consultant's Plan dated November 16, 2012; and (iii) Progress Reports dated November 9 and December 10, 2012;

AND WHEREAS Staff has filed an Affidavit of Lina Creta sworn December 19, 2012 setting out the work completed by the Monitor and the Consultant;

AND WHEREAS the parties agree that paragraph 5 of the Terms and Conditions should be amended and replaced with a reduced monitoring regime and that the Temporary Order should be extended until March 22, 2013;

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

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

1. Paragraph 5 of the Terms and Conditions be deleted and replaced with paragraphs 5.1 and 5.2 as follows:

“5.1 As of December 20, 2012, the Monitor will review for the purpose of ensuring adequate KYC Information in order to determine suitability of the investment:

- (a) 100% of all New Client applications by Dealing Representatives that only become registered with KFFI within the last six months;
- (b) 100% of all New Client applications by Dealing Representatives on close supervision including those Dealing Representatives: (i) with terms and conditions on their registration; (ii) with restricted clients; and (iii) whom (A) KFFI or (B) the Monitor and the Consultant or (C) the Consultant have identified as being of concern; and
- (c) a random sample of 30% of applications from New Clients of KFFI other than applications covered by subparagraphs (a) and (b) immediately above.

Should the Monitor not be satisfied with the KYC Information for this purpose, the Monitor will contact the New Client.

5.2 As of December 20, 2012, the Monitor will contact the following additional New Clients of KFFI for the purpose of ensuring adequate KYC Information in order to determine suitability of the investment:

- (a) 100% of all New Client applications reviewed under paragraph 5.1 with an income less than or equal to \$50,000 that were not otherwise contacted under paragraph 5.1;
- (b) 20% of all New Client applications reviewed under paragraph 5.1 with an income greater than \$50,000 and less than or equal to \$70,000 that were not otherwise contacted under paragraph 5.1; and
- (c) 10% of all New Client applications reviewed under paragraph 5.1 with an income greater than \$70,000 that were not otherwise contacted under paragraph 5.1.”

- 2. The Temporary Order is extended to March 22, 2013 or until such further order of the Commission; and
- 3. The hearing is adjourned to March 21, 2013 at 9:00 a.m. for the purpose of providing the Commission with an update on the work completed by the Monitor and the Consultant and to consider whether any changes are required to the Terms and Conditions.

DATED at Toronto this 20th day of December, 2012.

“James E. A. Turner”

James E. A. Turner