



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,  
RSO 1990, c S.5**

**- AND -**

**IN THE MATTER OF SCOTIA CAPITAL INC.,  
SCOTIA SECURITIES INC. AND  
HOLLISWEALTH ADVISORY SERVICES INC.**

**ORDER  
(Subsections 127(1) and 127(2))**

**WHEREAS:**

1. on July 26, 2016, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing in relation to the Statement of Allegations filed by Staff of the Commission (“Commission Staff”) on July 26, 2016 with respect to Scotia Capital Inc., Scotia Securities Inc. and HollisWealth Advisory Services Inc. (the “Scotia Dealers”);
2. the Notice of Hearing gave notice that on July 29, 2016, the Commission would hold a hearing to consider whether it is in the public interest to approve a settlement agreement between Commission Staff and the Scotia Dealers dated July 25, 2016 (the “Settlement Agreement”);
3. in the Statement of Allegations, Commission Staff alleged that there were inadequacies in the Scotia Dealers’ systems of controls and supervision which formed part of their compliance systems (the “Control and Supervision Inadequacies”) which resulted in clients of the Scotia Dealers paying excess fees that were not detected or corrected by the Scotia Dealers in a timely manner;
4. Commission Staff do not allege, and have found no evidence of dishonest conduct by the Scotia Dealers;
5. Commission Staff are satisfied that the Scotia Dealers discovered and self-reported the

Control and Supervision Inadequacies to Commission Staff;

6. Commission Staff are satisfied that during their investigation of the Control and Supervision Inadequacies, the Scotia Dealers provided prompt, detailed and candid cooperation to Commission Staff;
7. Commission Staff are satisfied that the Scotia Dealers had formulated an intention to pay appropriate compensation to clients and former clients when they self-reported the Control and Supervision Inadequacies to Commission Staff;
8. as part of the Settlement Agreement, the Scotia Dealers undertake to:
  - (a) pay appropriate compensation to eligible clients and former clients who were harmed by the Control and Supervision Inadequacies (the “Affected Clients”) in accordance with a plan submitted by the Scotia Dealers to Commission Staff (the “Compensation Plan”) and to report to a manager or deputy director in the Compliance and Registrant Regulation Branch of the Commission (the “OSC Manager”) in accordance with the Compensation Plan;
  - (b) make a voluntary payment of \$50,000 to reimburse the Commission for costs incurred or to be incurred by it, in accordance with subsection 3.4(2)(a) of the *Securities Act* (the “Act”); and
  - (c) make a further voluntary payment of \$800,000, to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act(the “Undertaking”);
9. the Commission has received the voluntary payments totalling \$850,000 in escrow pending approval of the Settlement Agreement;
10. the Commission reviewed the Settlement Agreement, the Notice of Hearing and the Statement of Allegations and heard submissions from counsel for the Scotia Dealers and from Commission Staff; and

11. the Commission is of the opinion that it is in the public interest to make this order;

**IT IS ORDERED THAT:**

- (a) pursuant to subsection 127(1) of the Act, the Settlement Agreement is approved;
- (b) pursuant to subsection 127(2) of the Act, the approval of the Settlement Agreement is subject to the following terms and conditions:
  - (i) within 90 days of receiving comments from Commission Staff regarding the procedures, controls and supervisory and monitoring systems designed to prevent the re-occurrence of the Control and Supervision Inadequacies in the future (the “Enhanced Control and Supervision Procedures”), the Scotia Dealers shall provide to the OSC Manager revised written policies and procedures (the “Revised Policies and Procedures”) that, to the satisfaction of the OSC Manager, are responsive to any remaining issues raised by Commission Staff with regard to the Scotia Dealers’ policies and procedures to establish the Enhanced Control and Supervision Procedures (the “Remaining Issues”);
  - (ii) thereafter, the Scotia Dealers shall make such further modifications to their Revised Policies and Procedures as are required to ensure that the Revised Policies and Procedures address any Remaining Issues to the satisfaction of the OSC Manager;
  - (iii) within 8 months of receiving confirmation from the OSC Manager that the Revised Policies and Procedures satisfy the Remaining Issues raised by Commission Staff (the “Confirmation Date”), the Scotia Dealers shall submit a letter (the “Attestation Letter”), signed by the Ultimate Designated Person and the Chief Compliance Officer for each of the Scotia Dealers, to the OSC Manager, expressing their opinion as to whether the Enhanced Control and Supervision Procedures were adequately followed, administered and enforced by the Scotia Dealer for the 6 month period commencing from the Confirmation Date;
  - (iv) the Attestation Letter shall be accompanied by a report which provides a description of the testing performed to support the conclusions contained in the Attestation Letter;

- (v) the Scotia Dealers shall submit such additional reports as may be requested by the OSC Manager for the purpose of satisfying the OSC Manager that the opinion expressed in the Attestation Letter described in subparagraph (b)(iii) above is valid;
  - (vi) any of the Scotia Dealers or Commission Staff may apply to the Commission for directions in respect of any issues that may arise with regard to the implementation of subparagraphs (b)(i) to (v) above; and
  - (vii) the Scotia Dealers shall comply with the Undertaking; and
- (c) the voluntary payment referred to in recital 8(c) above is designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act.

DATED at Toronto, Ontario this 29<sup>th</sup> day of July, 2016

*“Timothy Moseley”*

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Timothy Moseley

*“William J. Furlong”*

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William J. Furlong

*“Monica Kowal”*

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Monica Kowal