



INVESTMENT DEALERS ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DES COURTIERS EN VALEURS MOBILIÈRES

NEWS RELEASE

For immediate release

For further information, please contact:

Alex Popovic
Vice-President, Enforcement
(416) 943-6904 or apopovic@ida.ca

Jeff Kehoe
Director, Enforcement Litigation
(416) 943-6996 or jkehoe@ida.ca

IDA fines BMO Nesbitt Burns Inc. \$450,000 for Failure to Supervise

July 23, 2002 (Toronto, Ontario) – The Investment Dealers Association of Canada announced today that BMO Nesbitt Burns Inc. has agreed to pay a fine of \$450,000 and costs of investigation and prosecution of \$50,000. In addition, within 30 days, Nesbitt must submit to the Association for review and approval its internal policies and procedures relative to the pricing of corporate securities for sale to its clients.

On July 23, 2002, the Ontario District Council considered, reviewed and accepted a Settlement Agreement negotiated between Nesbitt and Association staff. Pursuant to the Settlement Agreement, Nesbitt admitted that:

- its Risk Management Department was aware of, and acquiesced in, the circumvention of internal policies by its registered representative Zona Armstrong;
- it failed in its obligation to establish and maintain an adequate supervisory environment at the head office level; and
- it failed in its obligation to establish and maintain an adequate supervisory environment at the branch level.

Nesbitt permitted Zona Armstrong to price certain U.S. convertible debentures at month end for the purpose of her clients' month end statements in contravention of Nesbitt's own internal firm policies. Without adequate internal controls in place, Ms. Armstrong was able to set inflated prices for the securities in question. This ultimately led to numerous client complaints and claims for compensation. As of May 1, 2002, Nesbitt had received 157 complaints from clients of Zona Armstrong and had paid compensation to 131 clients in the amount of \$10,077,209.81 CDN and \$213,463,04 US.

"The severity of the penalty reflects the serious nature of these infractions. We require effective supervision at Member firms and expect full compliance with Association rules and policies", said Alex Popovic, IDA Vice-President, Enforcement.

The prosecution of Zona Armstrong for her own contraventions of the Association's Rules, Regulations, By-laws and Policies (which at this time are allegations only and remain to be proven before the Alberta District Council) is pending.

For a complete summary of facts, as well as a copy of the Settlement Agreement, please see IDA Bulletin #3020 at www.ida.ca .

The Investment Dealers Association of Canada is the national self-regulatory organization and representative of the securities industry. The Association's role is to foster fair, efficient and competitive capital markets by encouraging participation in the savings and investment process and by ensuring the integrity of the marketplace. The IDA enforces rules and regulations regarding the sales, business and financial practices of its Member firms. The Enforcement Branch investigates complaints, conducts investigations and disciplines Members and their employees as part of the IDA's regulatory role.