

## ASC audit reveals IDA deficiencies

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Normally, the Investment Dealers Association of Canada cracks down on industry rule-breakers, but what if it's the association that needs a reprimand? On Monday the Alberta Securities Commission released a report outlining deficiencies with the prairie region IDA's practices.

Everything from registration to staff turnover and enforcement issues was covered in the audit, which is usually conducted every three years. While most of these issues are serious, Diane Urquhart, an independent analyst who has been studying regulation issues for three years, says a few are more concerning than others.

Urquhart is alarmed by the section titled "Consistency of Settlement Agreements — Forgery." In that part of the report, the ASC says that one forgery case originally resulted in a reprimand, while another, which involved a designated person forging a signature and misleading the IDA, ended with a warning letter.

"Forgery is a breach of the Canadian Criminal Code," says Urquhart, who added that this was the most alarming part of the report. "Forgery is a criminal matter. This shouldn't have even been looked at within the IDA system. It should have been referred to the RCMP."

The ASC says the IDA violated its own rules in this case. "Only one of these cases was brought before a hearing panel," says the report, "and the settlement reached in this case did not fall within the IDA's prescribed guidelines for forgery."

Warren Funt, the IDA's vice-president for Western Canada, says any criminal matters are passed on to the police. "When a criminal offence occurs, we refer the matter. We do so even though in certain circumstances we would be surprised if police acted."

Funt adds that there are two types of forgery issues — one that involves fraud and another that is simply a case of a dealer filling in a missed signature for his or her client — and that the two are dealt with differently. "A forgery is not always a forgery," he says. "It's not that simple in most circumstances."

Other than forgery issues, the ASC says that it found many case assessment files with missing information. The commission says case assessments should "stand alone" and offer a complete record of why an action occurred.

Another concern deals with inconsistent punishments. Under the title "Issue Identification," the ASC says in one particular case, the IDA's decision, which involved issuing a letter and then closing the file, was not "appropriate given the circumstances of the case and the nature of the information provided to the IDA. The case appeared to warrant further investigation and attention."

Funt says that while every case is different, the organization does try to keep things consistent. When coming to an enforcement decision, he says, the IDA relies on precedence, and it refers to its discipline guidelines.

Still, Urquhart doesn't think enough is being done to crack down on corruption. She says self-regulation doesn't work. "You've got the IDA conducting investor protection enforcement in the name of public interest, but their primary goal is to protect the reputation of the industry."

Funt admits that the IDA has issues that need to be addressed, but it's working toward resolving the ASC's complaints. He says more communication with the ASC will help and that

the "more fundamental areas we have been working on regardless."

The ASC and IDA have also agreed to hold quarterly meetings, at which they're likely to address audits and other pressing issues.

*Filed by Bryan Borzykowski, Advisor.ca, [bryan.borzykowski@advisor.rogers.com](mailto:bryan.borzykowski@advisor.rogers.com)*

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