

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA

RE: INVESTORS GROUP FINANCIAL SERVICES INC.

SETTLEMENT HEARING
Case # 200401

December 16, 2004
Toronto, Ontario

REASONS FOR DECISION

Hearing Panel of Ontario Regional Council:

Thomas J. Lockwood, Q.C.	Chair
Sandy Grant	Panel Member
Guenther Kleberg	Panel Member

Counsel:

Hugh Corbett)	for Mutual Fund Dealers Association
Shaun Devlin)	of Canada
Jeffrey W. Galway)	for Investors Group Financial Services Inc.
David Jackson)	
David Valentine)	

By Notice of Hearing, dated the 6th day of December, 2004, a Hearing Panel of the Ontario Regional Council of the Mutual Fund Dealers Association of Canada ("MFDA") was convened today to consider whether, pursuant to Section 24.4 of By-Law No. 1 of the MFDA, the Panel should accept a Settlement Agreement entered into by Staff of the MFDA and the Respondent, Investors Group Financial Services Inc.

At the outset of the proceedings, we considered a joint Motion by Staff and the Respondent to move the proceedings "in camera". We granted that Motion. We then considered, in detail, the provisions of the Settlement Agreement itself. We heard submissions as to the applicable law which should guide this Panel in determining whether to accept or reject the Settlement Agreement. We next heard submissions as to why this particular Settlement Agreement met the appropriate criteria. We then retired to consider both the Settlement Agreement and the applicable legal principles. After deliberation, we unanimously concluded that it was appropriate to accept the Settlement Agreement.

As a Panel, we are obviously concerned with the type of conduct which is reflected in the Settlement Agreement. We believe, however, that the Settlement Agreement fairly addresses the concerns that we have.

In determining whether the Settlement Agreement should be accepted, we have considered a number of factors. These include the following:

1. We have considered the public interest and whether, in our view, the penalty imposed will protect investors.
2. We have considered whether, in our view, the Settlement Agreement is reasonable and proportionate, having regard to the conduct of the Respondent as set out in the Settlement Agreement.

3. We have considered whether, in our view, the Settlement Agreement addresses the issues of both specific and general deterrence.
4. We have considered whether, in our view, the proposed settlement will prevent the type of conduct, which is set out in the Settlement Agreement, from occurring again in the future.
5. We have considered whether, in our view, the Settlement Agreement will foster confidence in the integrity of the Canadian Capital Markets.
6. We have considered whether, in our view, the Settlement Agreement will foster confidence in the integrity of the Mutual Fund Dealers Association of Canada.
7. Finally, we have considered whether, in our view, the Settlement Agreement will foster confidence in the regulatory process itself.

In our view, the Settlement Agreement addresses all of the above factors. We believe that each and every one of these factors is dealt with in an appropriate fashion by the Settlement Agreement.

We also believe that, in a Hearing of this nature, it is appropriate to consider any and all mitigating factors. A number of these factors were set out, in detail, in the Settlement Agreement. These include the following:

1. The Respondent co-operated in both the investigation and in these proceedings.
2. The Respondent made specific admissions as to its conduct.

3. The Respondent has adopted additional practices and procedures to prevent and detect market timing that could reasonably be expected to be harmful to its Funds and the unitholders of those Funds. These are set out in paragraphs 25 and 26 of the Settlement Agreement.

4. We have also considered the nature of these very proceedings itself, the fact that they are public and that the Respondent is subject to scrutiny by both members of the press and members of the public and the effect that that has had and will have on the Respondent.

5. We have, finally, considered that this was a Settlement Agreement that was reached by the parties after significant discussion and negotiation. The Settlement Agreement represents what they feel, with their knowledge and their experience, is an appropriate resolution.

The approach we should take is the following: Is this Settlement Agreement reasonable and in the public interest? In our view, it is. For all of these reasons, we have accepted the Settlement Agreement and have signed the Order, as requested.

"Thomas J. Lockwood, Q.C."

Thomas J. Lockwood, Q.C.
Chair

"Sandy Grant"

Sandy Grant
Panel Member

"Guenther Kleberg"

Guenther Kleberg
Panel Member