

# NOTICE / NEWS RELEASE

*For immediate release*

## **Enforcement Notice Decision 13-0083**

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## **IN THE MATTER OF Northern Securities Inc. – Settlement Accepted**

**March 20, 2013 (Toronto, Ontario)** – On March 19, 2013, a Hearing Panel of the Investment Industry Regulatory Organization of Canada (IIROC) accepted a Settlement Agreement between IIROC Staff and Northern Securities Inc. (Northern).

Northern admitted that, from late 2012 into early 2013, it carried on its operations without sufficient capital and without a Chief Financial Officer to ensure regulatory compliance.

Specifically, Northern admitted to the following violations:

Over the period from November 21, 2012, to January 25, 2013, it:

- (a) had risk adjusted capital in an amount less than zero on 38 days, contrary to Dealer Member Rules 17.1 and 2600 (Policy Statement 2); and
- (b) failed to have adequate internal controls in that it failed to have an approved Chief Financial Officer in place, other than from January 7 to 22, 2013, contrary to Dealer Member Rules 17.2A and 2600 (Policy Statement 2).

Pursuant to the Settlement Agreement, Northern agreed to the following terms:

- (a) Northern's Membership is immediately suspended and Northern remains subject to IIROC Dealer Member Rules as a suspended Member.



- (b) During the period of the suspension Northern will be required to report weekly to IIROC staff on its risk adjusted capital. Northern will not be required to obtain or provide evidence that it has obtained an audit.
- (c) Northern is directed to immediately cease dealing with the public as a Dealer Member, including removing any websites from public access.
- (d) Northern shall preserve \$100,000 of its remaining assets until June 30, 2013, at which time Northern shall be authorized to disburse those funds to its creditors, including any former clients with a valid claim against Northern. For greater certainty, it is agreed that the \$100,000 shall be preserved from receivables owing to Northern from Penson Financial Services Canada Inc.
- (e) Northern is restricted from undertaking any of the following activities without first obtaining the written consent of IIROC's VP Financial and Operations Compliance:
  - (i) reducing its capital in any manner including redemption, repurchase or cancellation of any of its shares;
  - (ii) reducing or repaying any indebtedness which has been subordinated with the approval of IIROC;
  - (iii) directly or indirectly making any payments by way of loan, advance, bonus, dividend, repayment of capital or other distribution of assets to any director, officer, partner, shareholder, related company or affiliate; and
  - (iv) increasing non-allowable assets, unless a prior binding commitment to do so exists, or entering into any new commitments which would have the effect of materially increasing the non-allowable assets of the firm;
- (f) Northern shall make arrangements with its parent company, Northern Financial Corporation ("NFC"), to preserve Northern's books and records (the "Records") for a period of no less than seven years from the date on which each record is created, which Records shall be maintained at NFC's head office or an accessible storage location and shall be made available to former clients of Northern and/or to IIROC staff on request.
- (g) So long as Northern complies with the terms of the Settlement Agreement, and so long as there are no intervening developments that would make the termination of Northern's Membership contrary to the interests of Northern's clients, at any time that is six months after the date of approval of this Settlement Agreement, either Staff or Northern shall be at liberty to apply to a Hearing Panel to terminate Northern's Membership.



The Settlement Agreement is available at <http://docs.iiroc.ca/DisplayDocument.aspx?DocumentID=4388A732C59E4778B043B6A92E3F7D55&Language=en>.  
The Hearing Panel's decision will be made available at [www.iiroc.ca](http://www.iiroc.ca) when it is issued.

Documents related to ongoing IIROC enforcement proceedings – including Reasons and Decisions of Hearing Panels – are posted on the IIROC website as they become available. Click [here](#) to search and access all IIROC enforcement documents.

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IIROC is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. Created in 2008 through the consolidation of the Investment Dealers Association of Canada and Market Regulation Services Inc., IIROC sets high quality regulatory and investment industry standards, protects investors and strengthens market integrity while maintaining efficient and competitive capital markets.

IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of dealer firms and their registered employees and through setting and enforcing market integrity rules regarding trading activity on Canadian equity marketplaces.

IIROC investigates possible misconduct by its member firms and/or individual registrants. It can bring disciplinary proceedings which may result in penalties including fines, suspensions, permanent bars, expulsion from membership, or termination of rights and privileges for individuals and firms.

All information about disciplinary proceedings relating to current and former member firms is available in the [Enforcement section](#) of the IIROC website. Background information regarding the qualifications and disciplinary history, if any, of advisors currently employed by IIROC-regulated firms is available free of charge through the [IIROC AdvisorReport](#) service. Information on how to make investment dealer, advisor or marketplace-related complaints is available by calling 1.877.442.4322.

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