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Discipline

Disciplinary Penalties Imposed on GRS Securities Inc; Violations of By-law 17.1

Member Disciplined	A Hearing Panel of the Investment Dealers Association of Canada (“the Association”) appointed pursuant to IDA By-law 20 has imposed discipline penalties on GRS Securities Inc. (“GRS”) which was, at all material times, a Member of the IDA.
By-laws, Regulations, Policies Violated	Following a disciplinary hearing held on March 28, 2006, a Hearing Panel considered, reviewed and accepted a Settlement Agreement negotiated between GRS and Staff of the Enforcement Department of the Association. Pursuant to the terms of the Settlement Agreement, GRS has admitted that during the period April 2004 to August, 2004, it did fail to maintain a risk adjusted capital in excess of zero, as required pursuant to By-law 17.1.
Penalty Assessed	The penalty assessed against GRS is a fine in the amount of \$40,000. In addition, GRS was ordered to pay \$7,000 towards the Association’s costs of the investigation and prosecution of this matter.
Summary of Facts	<p>GRS is a wholly owned subsidiary of Canada Life Assurance Company (“Canada Life”). GRS’s sole function is to administer group savings plans. It is not involved in any other brokerage activities.</p> <p>In April 2004, GRS switched the trustee of their group retirement savings and investment plans from TD Canada Trust to Investor’s Group Trust (“IGT”). While IGT is a proper trust company in accordance with trust legislation, it does not comply with the definition of an Acceptable Institution, as required by the notes and instructions of line A2 of the Joint Regulatory Financial Questionnaire. In the circumstances, balances held in trust by IGT would have to have been reported by GRS as a “non-allowable asset”.</p>

During the period of April 2004 to August 2004, inclusive, GRS erred in reporting

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balances held in trust by IGT as an “allowable asset”. This error resulted in a significant overstatement of the RAC. The overstatement reached a peak of \$38.3 MM in August 2004, resulting in a reported RAC of \$6.399 MM when the actual RAC was negative \$31.9 MM. Accordingly, GRS was capital deficient between April 2004 and August 2004 in contravention of By-law 17.1.

Upon being advised by the Association to resolve the matter immediately, GRS remedied the capital deficiency in September 2004 through subordinated debt from Canada Life.

GRS cooperated with the Investigation by Association Staff.

Kenneth A. Nason
Association Secretary