



INVESTMENT DEALERS
ASSOCIATION OF CANADA

bulletin



ASSOCIATION CANADIENNE DES
COURTIERS EN VALEURS MOBILIÈRES

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For distribution to relevant parties within your firm

BULLETIN # 3084

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Discipline

Discipline Penalties imposed on Questrade Inc. (formerly Quest Capital Group Ltd.) – Violation of By- Law 17.1

Person Disciplined The Ontario District Council of the Investment Dealers Association of Canada (the "Association") has imposed discipline penalties on Questrade Inc., formerly Quest Capital Group Ltd., at all material times a Member of the Association.

By-laws, Regulations, Policies Violated On December 2, 2002, the Ontario District Council considered, reviewed and accepted a Settlement Agreement negotiated between Questrade Inc. and Association staff.

Pursuant to the Settlement Agreement, Questrade Inc. admitted that on January 8, 2002, between January 10 and 31, 2002 and on March 6, 2002, it failed to maintain risk adjusted capital in excess of zero, calculated in accordance with the Joint Regulatory Financial Questionnaire, contrary By-Law 17.1 of the Association.

Penalty Assessed The discipline penalties assessed against Questrade Inc. include a fine in the amount of \$20,000.00. In addition, Questrade Inc. is prohibited from disposing of or pledging any of its assets, equity or goodwill until the fine has been paid.

Questrade Inc. is also required to pay \$4,500.00 towards the Association's costs of the investigation of this matter.

Summary of Facts On January 28, 2002, the CFO of Questrade notified the Financial Compliance Division of the Association that its RAC had deteriorated and forwarded a calculation indicating a RAC deficiency of \$51,000 after a concentration charge had been applied.

On January 29, 2002 Questrade sold out a security position to avoid an adverse effect on RAC. In reviewing the calculation of RAC, Financial Compliance Staff determined that Questrade was capital deficient at January 31, 2002 as result of an incorrect concentration charge calculation. This capital deficiency was addressed through the selling of security positions and the execution of a further sub-loan agreement.

At the request of the Financial Compliance Division, daily RAC calculations were performed and it was determined that Questrade was capital deficient on January 8, and from January 10 to 30, 2002.

A second instance of capital deficiency occurred on March 6, 2002 and was discovered on April 8, 2002 by Financial Compliance Staff. A short position in a security was entered into and this short position, combined with an existing long position in a different security, gave rise to a security concentration charge. The resultant capital deficiency was cleared in 6 business days rather than 5, as required by Association Regulations.

No client account balances suffered any losses as a result of these matters. Management of Questrade cooperated fully with the Association during its investigation.

Kenneth A. Nason
Association Secretary