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## Discipline

### **Discipline penalties imposed on LVM Canada Ltée; Violations of By-law 3.3, By-law 7.5, By-law 16.2 and By-law 17.1**

Person Disciplined	A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on LVM Canada Ltée which was, at the material times, an IDA member firm.
By-laws, Regulations, Policies Violated	On March 3, 2006, the Hearing Panel examined and accepted a Settlement Agreement between the Association's Enforcement staff and LVM Canada Ltée. Under the terms of the Settlement Agreement, the Respondent has admitted to: having failed, between August 2003 and January 2006, to maintain at all times risk adjusted capital greater than zero, as required pursuant to By-law 17.1; having failed to produce audited financial statements for the fiscal year ending October 31, 2005, as required under By-law 16.2; having failed, since July 15, 2005, to appoint a qualified chief financial officer, in compliance with By-law 7.5; and having failed, since September 2002, to pay part of its Annual Membership fee for 2002, in accordance with By-law 3.3.
Penalty Assessed	The following penalties are imposed on LVM Canada Ltée: <ul style="list-style-type: none"><li>▪ termination of Membership in the Association</li><li>▪ a fine of \$13,921</li></ul>
Summary of Facts	<p>On August 30, 2002, the Respondent ceased its activities as an investment dealer after divesting itself of all of its client investment accounts.</p> <p>At all the material times, the Respondent had already ceased doing business as an investment dealer.</p> <p>In September 2002, the Respondent submitted to the Association its intention to resign as an IDA Member, which was refused, since the Respondent had not yet fulfilled all of the formalities required pursuant to By-law 8, notably with regard to the proceedings still pending against the Respondent.</p>

In accordance with the provisions of By-law 8.7, a Member resigning from the Association shall make full payment of its Annual Fees for the fiscal year in which such Member tenders its resignation. At the time the Respondent submitted its intention to resign as an IDA Member, it had only paid half of its Annual Fees for fiscal 2002. The second half of its Annual Fees remained unpaid.

In May 2003, due to the discontinuance of its activities as an investment dealer, the Respondent's registration was suspended by the Commission des valeurs mobilières du Québec and its membership was suspended by the IDA.

Since August 2003, the Respondent was no longer in a position to maintain risk adjusted capital greater than zero, as the Association rules require. Given the Respondent's actual financial position and the few assets at its disposal, the capital deficiency was not about to be corrected. The Respondent had not had a registered officer as chief financial officer, as required by By-law 7, since July 15, 2005.

As required under By-law 16, the Respondent filed audited financial statements annually with the Association, including those for its fiscal year ended December 31, 2004. For its last fiscal year, ended October 31, 2005, its audited financial statements had to be deposited with the Association no later than December 19, 2005, which was not done. Towards the end of December 2005, the Respondent informed the Association that it was no longer in a position to incur the costs of an audit, which it deemed unjustified, moreover, given its inactivity.

The Hearing Panel ruled that the terms of the agreement were reasonable in the circumstances, the Respondent no longer being in a position to meet the regulatory requirements of the Association and comply with the obligation to maintain at all times risk adjusted capital greater than zero, given the discontinuance of its activities as an investment dealer and the depletion of its financial resources.

Kenneth A. Nason  
*Association Secretary*