



## NEWS RELEASE

*For immediate release*

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### **MFDA makes order against Investors Group Financial Services Inc. totaling \$5.35 million**

Dec. 16, 2004 (Toronto, Ontario) --- The Mutual Fund Dealers Association of Canada (MFDA) announced today that a Hearing Panel of the MFDA Ontario Regional Council has accepted a Settlement Agreement negotiated between MFDA Staff and Investors Group Financial Services Inc., a member of the MFDA.

For the purposes of this proceeding, market timing is defined as short-term trading of mutual fund securities to take advantage of short term discrepancies between the “stale” values of securities within a mutual fund’s portfolio and the current market value of those securities. Significant harm may be incurred by a fund in which frequent market timing occurs, including dilution of a fund’s value. Market timing may also result in certain inefficiencies in the fund, involving increased transaction costs and disruption of a fund’s portfolio management strategy, and may impair a fund’s long-term performance. Any such harm would be borne by all investors in the fund.

In accordance with By-law No. 1 and the Rules of the MFDA, a mutual fund dealer is required to act fairly, honestly and in good faith with its clients and to establish, implement and maintain written policies and procedures to ensure that the handling of its business is in accordance with the By-laws, Rules and Policies of the MFDA and with applicable securities legislation. A mutual fund dealer must have regard to the potential for harm to a mutual fund in at least those circumstances where a mutual fund dealer is aware that a client seeks to employ a frequent trading market timing strategy or where there are sufficient red flags present to warrant further inquiries. In these circumstances, a mutual fund dealer is required to take reasonable steps to prevent this type of harm. These duties are in addition to those of a mutual fund manager with regard to frequent trading market timing activity.

Investors Group Financial Services Inc. has acknowledged that in the period from October 2000 to November 2002 it was involved in the negotiation and management of an agreement that allowed one institutional market timing client to engage in frequent trading market timing in Investors Group mutual funds. The agreement protected the Relevant Funds from some, but not all, of the costs to those funds of the frequent trading. There was no public disclosure of this

agreement. The Market Timing Client achieved a return on its overall investment in the Relevant Funds that was significantly higher than the return that long term investors would have achieved on their investments in the Relevant Funds in the same period. In permitting the trading by the Market Timing client and failing to implement appropriate measures to protect the Relevant Funds from associated harm, the member acted contrary to the public interest.

Investors Group Financial Services Inc. has agreed to compensate the investors affected by the member's conduct by making a payment in the amount of \$2.65 million through an agreed upon distribution mechanism. The member will also pay a fine to the MFDA in the amount of \$2.65 million. In addition, the member will within six months following this settlement agreement implement additional procedures satisfactory to the MFDA for reporting to the member's Board of Directors on the status of the firm's compliance with MFDA By-Laws, Rules and Policies and applicable securities legislation. Finally, the member will pay costs of the MFDA investigation in the amount of \$50,000.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 187 members and their approximately 75,000 representatives with a mandate to protect investors and the public interest.

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