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CIRCULAR
May 9, 2006

**DISCIPLINARY DECISION
LAURENTIAN BANK SECURITIES INC.**

On September 26, 2005, following an investigation conducted by its Regulatory Division, Bourse de Montréal Inc. (the Bourse) lodged a complaint against Laurentian Bank Securities Inc. (LBSI), an approved participant of the Bourse.

By way of an offer of settlement approved by the Special Committee — Regulatory Division, LBSI has agreed to the following disciplinary sanctions:

- payment of a fine of \$10,000 for the first count;
- payment of a fine of \$90,000 for the second count; and
- payment of a sum of \$10,000 toward costs.

First Count

LBSI recognized that it contravened provisions of articles 7451 (Business Conduct — now article 7450) and 7452 (Diligence as to Accounts) of the Rules of the Bourse, and of Policy C-2 of the Bourse (Minimum Standards for Retail Accounts Supervision).

These provisions stipulate, among other things, that the approved participants of the Bourse must learn and remain informed of all relevant facts pertaining to their clients. For each new account, there must be a properly completed account application form.

In February 2000, LBSI approved the opening of a new account for two (2) clients, even though their investment objectives did not appear on the account application forms.

Circular no.: 091-2006

Second Count

LBSI recognized that it contravened provisions of articles 7415 (Approved Participant's Responsibility — now article 7416) and 7452 (Diligence as to Accounts) of the Rules of the Bourse, and of Policy C-2 of the Bourse (Minimum Standards for Retail Accounts Supervision).

These provisions stipulate, among other things, that approved participants must properly supervise retail accounts activity.

Between November 1999 and May 2001, LBSI was unable to demonstrate that it had properly supervised the accounts of three (3) clients, in which the annualized commissions ranged between 13.6 percent and 20.3 percent of the initial value of the accounts, with a turnover rate of the assets ranging between 8.6 percent and 18.4 percent.

LBSI has offered a compensation to two (2) of these clients for the losses that were incurred by them.

LBSI cooperated with the Bourse during the investigation and did not have any prior disciplinary record with the Bourse.

For further information, please contact Mr. Francis Larin, Director and Legal Counsel, Regulatory Division, at (514) 871-3516 or by e-mail at flarin@m-x.ca.

Jacques Tanguay
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