**FIN 4203**

**Individual Activities**

**Week 1**

Student Name: SYED ADNAN

Student ID: C0908413

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You have to visit the website of IIROC and study disciplinary actions against two registered representatives.

Please write a one-page summary (facts, analysis, and conclusion) about the one common IIROC rule that these two persons had violated and the significance of the rule.

**SUMMARY:** In the case of “Re BMO Nesbitt Burns Inc. 2008 IIROC 15,” BMO Nesbitt Burns Inc. IIROC conducted an investigation for its sales of Olympus hedge funds. Two individuals were involved, PL & JP, who violated an IIROC rule, which was, conducting due diligence & recommending suitable investments to the clients.

**FACTS:** PL & JP were senior members, responsible for recommending hedge funds to BMO’s registered representatives, these recommendations were then advised to retail clients. BMO sold the Olympus hedge fund to its clients, specially the Univest 2 fund, without considering the funds and clients suitability. High risk nature of hedge funds was sold to clients regardless of there risk-taking ability. Many clients lacked investment knowledge. The IDA received 37 complaints on ComSet, due to this the court ordered receivership for Olympus, this incident highlights the regulatory breaches committed by BMO.

**ANALYSIS:** The IIROC rule that PL & JP violated was related to “duty of care and suitability” which highlights that advise made to clients must match with their knowledge of investment, risk profile and financial situation. Hedge funds are mainly for sophisticated investor rather than retail investors, and here BMO has failed to make sure if its safe for clients or not. Plus, the sale document made by BMO, such as the report titled “An Introduction to Hedge Funds”, placed these products in such a way that may have misled registered representatives and their clients regarding the risk involved in Univest 2.

**CONCLUSION:** The IIROC suitability rules is important to ensuring protection of investors and building their confidence. By neglecting this basic rule, BMO put its clients under risk. Companies and employees are obligated to ensure what they recommend is best and safe for their clients. This case of BMO Nisbett highlights the importance for proper due diligence and complying with regulatory standards to protect client’s interest and their investments.