

THE SECURITIES ACT

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Order No. 3388

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Sections 19(5), 148(1)

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June 20, 2001

TD Waterhouse Investor Services, Inc.

WHEREAS:

(A) On June 18, 2001, The Manitoba Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice") giving notice of its intention to hold a hearing (the "Hearing") to consider:

1. whether or not it is in the public interest to order, pursuant to subsection 148(1) of The Securities Act (the "Act"), that all trading in securities by TD Waterhouse Investor Services, Inc. ("TD Waterhouse") shall cease;

2. whether or not it is in the public interest to order, pursuant to subsection 19(5) of the Act, that:

(a) subsections 19(1) and 19(3) of the Act do not, with respect to such of the trades referred to in those sections, apply to TD Waterhouse;

(b) subsection 19(2) of the Act does not, with respect to such of the securities referred to in that section, apply to Respondent;

3. such further and other matters and the making of such further and other orders as the Commission may deem appropriate.

(B) Staff of the British Columbia Securities Commission and TD Waterhouse, with the consent and agreement of Staff of the Commission, entered into a Settlement Agreement (a copy of which is attached as Schedule "A") dated June 18, 2001 (the "Settlement Agreement"), which proposed settlement of the proceedings initiated by the Notice, subject to the approval of the Commission;

(C) TD Waterhouse has consented to the issuance of this Order and has waived its respective rights to a full hearing;

(D) The Commission has reviewed the Settlement Agreement and is of the opinion that it is in the public interest to make this Order.

IT IS ORDERED:

1. **THAT**, pursuant to section 19(5) of the Act, the Settlement Agreement, Schedule "A", be and the same is hereby approved.

BY ORDER OF THE COMMISSION

Director, Legal and Enforcement

**IN THE MATTER OF THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUEBEC, NOVA SCOTIA, NEW BRUNSWICK,
NEWFOUNDLAND, PRINCE EDWARD ISLAND AND YUKON**

AND

IN THE MATTER OF TD WATERHOUSE INVESTOR SERVICES, INC.

Settlement Agreement

1. In this Settlement Agreement, capitalized terms not otherwise defined shall have the meanings ascribed to them in National Instrument 14-101 ("NI14-101"). The Staffs (the "Staffs" and individually, the "Staff") of the Securities Regulatory Authorities (collectively, the "Authorities" and individually, an "Authority") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Newfoundland, Prince Edward Island and Yukon (the "Jurisdictions") and TD Waterhouse Investor Services, Inc. ("TD Waterhouse US") wish to enter into an agreement to settle certain issues outstanding between the Jurisdictions and TD Waterhouse US.

2. The Staff of the British Columbia Securities Commission has acted throughout on behalf of the Staffs of the Authorities with their knowledge and approval.

3. The Staffs of the Authorities agree to recommend the terms set out in this Settlement Agreement for approval pursuant to the required procedure in each Jurisdiction.

Agreed Statement of Facts

4. TD Waterhouse US acknowledges the following facts as correct:

4.1 TD Waterhouse US is a corporation organized under the Laws of New York. It is registered as a broker-dealer with the United States Securities and Exchange Commission and as a broker-dealer in all 50 states, the District of Columbia and Puerto Rico.

4.2 TD Waterhouse US operates a web-based Internet securities trading service from its offices located at 100 Wall Street, New York, New York. It is not, and has not been, registered to trade securities in any of the Jurisdictions.

4.3 TD Waterhouse US's website is accessible to residents in the Jurisdictions (the "Residents") via the Internet and the Residents could, prior to August, 2000, log onto the website and open an account with TD Waterhouse US (individually, an "Account" and collectively, the "Accounts") for the purpose of executing trades in U.S. securities over the Internet by completing an Account application form online and mailing a hard copy of the completed Account application form to TD Waterhouse US. 4.4 Since at least January, 1999, TD Waterhouse US has executed orders for U.S. securities that have been received from Residents having Accounts ("TD Waterhouse US Canadian Customers") without being registered as required in the Jurisdictions. The Securities Legislation requires a securities firm trading with residents of the Jurisdictions to be registered as a dealer in those Jurisdictions.

4.4 TD Waterhouse US hereby acknowledges that the Jurisdictions construe as trading in the Jurisdictions the execution of trades on behalf of Canadian residents in U.S. securities on U.S. markets.

Mitigating Factors

5. The Staffs of the Authorities are not aware of any complaints made by TD Waterhouse US's Canadian Customers concerning the Accounts or their trading in the Accounts.

6. TD Waterhouse US represents that it immediately prohibited Residents from opening new accounts through its web-based service after receiving regulatory inquiries in August, 2000, regarding the fact that it was not registered in the Jurisdictions.

7. All Accounts other than Accounts maintained for individual tax-advantaged retirement savings plans located in the United States, were closed and transferred either to TD Waterhouse Investor Services (Canada) Inc. or in accordance with other instructions received from TD Waterhouse US Canadian Customers by December 18, 2000.

Undertaking

8. TD Waterhouse US undertakes and agrees to pay to the Jurisdictions in accordance with the attached Protocol the sum of Canada eight hundred thousand dollars (\$800,000.00).

Waiver

9. TD Waterhouse US waives any right it may have, under the Securities Legislation of the Jurisdictions, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this agreement.

Staff Commitment

10. If this Settlement Agreement is approved by an Authority, Staff of that Authority will not initiate any complaint to the Authority or request the Authority to hold a hearing or issue any

order or take any other proceeding in respect of any conduct or alleged conduct of TD Waterhouse US or any of its affiliates or subsidiaries, their officers, directors, employees or agents, in relation to the facts set out in this Settlement Agreement.

Procedure for Approval of Settlement

11. If this Settlement Agreement is required to be approved by an Authority, it will constitute the entirety of the evidence to be submitted respecting TD Waterhouse US in this matter. Upon approval of the Settlement Agreement by the Authorities, TD Waterhouse US agrees to waive any right to a full hearing and appeal of this matter under the Securities Legislation of the Jurisdictions.

12. If this Settlement Agreement is approved by the Authorities, whether through hearing or otherwise, the parties to this Settlement Agreement will not make any statement that is inconsistent with this Settlement Agreement.

13. If for any reason whatsoever, this Settlement Agreement is not approved by any one or more of the Authorities:13.1 this Settlement Agreement, including all discussions and negotiations leading up to its presentation at a hearing, and all negotiations between Staff and counsel for TD Waterhouse US concerning the matter of the terms of settlement proposed for TD Waterhouse US, shall be without prejudice to Staff and to TD Waterhouse US. Staff and TD Waterhouse US will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations, unaffected by this Settlement Agreement or the settlement negotiations;13.2 the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person, except with the written consent of Staff and TD Waterhouse US or as may be required by law; and13.3 TD Waterhouse US agrees that it will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Authority's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

14. Counsel for Staff or for TD Waterhouse US may refer to any part or all of the Settlement Agreement in the course of any hearing convened to consider the Settlement Agreement before any Authority. Otherwise, the Settlement Agreement and its terms will be treated as confidential by all parties to the Settlement Agreement until approved by all Authorities, and forever if, for any reason whatsoever, this Settlement Agreement is not approved by all of the Authorities.

15. Any obligation as to confidentiality shall terminate upon approval of this Settlement Agreement by all Authorities.

Execution of Settlement Agreement

16. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

SIGNED at New York, New York, on June 15, 2001.

"Frank Petrilli"

Authorized Signatory for TD Waterhouse US

"Andrew Wels")
Witness Signature)
)
Andrew Wels)
Witness Name (please print))
)
100 Wall St.)
)
NY, NY 10005)
Address)
)
Attorney)
Occupation)

SIGNED at Vancouver, British Columbia, on June 18, 2001.

"S. Wilson"

Steve Wilson
Executive Director
British Columbia Securities Commission

SIGNED at Toronto, Ontario, on June 18, 2001.

"M.J. Watson"

Michael Watson
Director of Enforcement
Ontario Securities Commission

SIGNED at Calgary, Alberta, on June 15, 2001.

"Wayne Alford"

Wayne Alford
Director of Enforcement
Alberta Securities Commission

SIGNED at Montreal, Québec, on June 15, 2001.

"Jean Lorrain"

Jean Lorrain
Direction de la Conformité et de l'application
Commission des valeurs mobilières du Québec

SIGNED at Halifax, Nova Scotia, on June 18, 2001.

"N. Pittas"

Nicholas A. Pittas

Director of Securities

Nova Scotia Securities Commission