

Re Laroche

IN THE MATTER OF:

**The Dealer Member Rules of the Investment Industry Regulatory
Organization of Canada (IIROC)**

and

The By-Laws of the Investment Dealers Association of Canada (IDA)

and

Alain Laroche

2012 IIROC 26

Investment Industry Regulatory Organization of Canada
Hearing Panel (Québec District Council)

Hearing held on March 29, 2012
Decision rendered on May 9, 2012

Hearing Panel:

Me Claire Richer (Chair), Lise Casgrain, Jean Jeannot

Appearances:

Me Myriam G. Del Zotto, Enforcement Counsel of IIROC

Mr. Alain Laroche, Respondent

DECISION APPROVING A SETTLEMENT AGREEMENT

¶ 1 On March 29, 2012, a hearing was held before a Hearing Panel, by virtue of the IIROC Rules, to consider, and if deemed appropriate, accept a settlement agreement between Staff of IIROC and the Respondent in the matter of the latter's conduct in October 2007; a copy of the Settlement Agreement is attached hereto and is deemed to be an integral part thereof.

¶ 2 The Hearing Panel heard the representations made by IIROC's enforcement counsel, including a jurisprudential analysis. The Respondent, who was not represented by counsel, confirmed the facts stated in the agreement.

¶ 3 After deliberation, the Hearing Panel informed the parties that it was accepting the Settlement Agreement. The reasons for its acceptance follow.

¶ 4 The Hearing Panel confirms that the \$20,000 fine and \$5,000 in costs are reasonable and fair given the Respondent's reprehensible conduct, namely executing private investment transactions in a company owned by his spouse, without his employer's knowledge. The Hearing Panel is also of the opinion that this penalty constitutes a general deterrent and may prevent similar misconduct by others.

¶ 5 As for the suspension provided in paragraph 8 b) of the Settlement Agreement, the Hearing Panel questions its relevance in the Respondent's regard given that the latter is no longer a registrant with an IIROC dealer member; moreover, the Hearing Panel recognizes that this penalty, as was mentioned to it, might have a

general deterrent effect.

¶ 6 The Hearing Panel took into account that the Respondent had no disciplinary history and was no longer an IIROC registrant.

Signed this May 9, 2012

Claire Richer, Panel Chair

Lise Casgrain, Panel Member

Jean Jeannot, Panel Member

SETTLEMENT AGREEMENT

I. BACKGROUND

1. The Staff of the IIROC Enforcement Department (Staff) and Alain Laroche (Respondent) consent and agree to the settlement of these matters by way of this settlement agreement (the Settlement Agreement);
2. The Enforcement Department of the Investment Industry Regulatory Organization of Canada (IIROC) has conducted an investigation (the Investigation) into the conduct of the Respondent;
3. On June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada (IDA) and Market Regulation Services Inc. (RS). Pursuant to the *Administrative and Regulatory Services Agreement* between IDA and IIROC, effective June 1, 2008, the IDA has retained IIROC to provide services for IDA to carry out its regulatory functions.
4. The Respondent consents to be subject to the jurisdiction of IIROC;
5. The Investigation disclosed matters for which Respondent may be disciplined by a Hearing Panel appointed pursuant to Part C of Schedule C.1 to Transition Rule No. 1 of IIROC (the Hearing Panel).

II. JOINT SETTLEMENT RECOMMENDATION

6. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement;
7. The Respondent admits to the following violations of IIROC Rules and Guidance, and IDA By-Laws, Regulations or Policies:
 - a) Around October 2007, the Respondent engaged in business conduct unbecoming and detrimental to the public interest, contrary to By-law 29.1 and Regulation 200.1 of the IDA, by permitting several of his clients to participate in a private placement of shares in 9175-3178 Québec inc., an investment firm owned by his spouse, all unrecorded and without the knowledge of the dealer member.
8. Staff and the Respondent agree to the following terms of settlement:
 - a) A fine of \$20,000; and
 - b) Suspension from approval with IIROC in any capacity for a period of one (1) month.
9. Respondent agrees to pay IIROC costs in the amount of \$5,000.

III. STATEMENT OF FACTS

(i) Acknowledgment

10. Staff and the Respondent agree with the facts set out in this section and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts;

(ii) Factual Background

SUMMARY OF THE RESPONDENT'S ALLEGED MISCONDUCT

11. Respondent allowed six (6) of his clients to invest in the company 9175-3178 Québec inc. (Company 9175-3178), a private investment firm whose majority shareholder and sole officer is his spouse. The Respondent did not inform his employer of the existence of these share purchase transactions.

THE RESPONDENT

12. As of 1992, Respondent was listed on the roll of l'Ordre des comptables agréés du Québec (OCAQ), as a chartered accountant;
13. From March 2002 to June 2003, Respondent worked at Desjardins Securities Inc. (DS), an IDA dealer dealer member, in the capacity of mutual fund salesperson;
14. In or about July 2003, Respondent was registered as a representative (retail), in the employ of DS;
15. In or about December 2006, Respondent was hired by Canaccord Capital Inc. (Canaccord), another IDA dealer member, as a representative (retail);
16. On June 1, 2008, Respondent became a registrant of IIROC;
17. On or about July 17, 2008, Respondent resigned from his duties as representative at Canaccord;
18. Respondent has not been registered as a representative (retail) with an IIROC dealer member since about July 2008;
19. Respondent has not been a member of the OCAQ since about March 2011.

UNDISCLOSED PERSONAL BUSINESS

20. On or about October 31, 2006, Company 9175-3178 was registered with the Centre informatique du registre des entreprises du Québec (CIDREQ). The company is registered as an investment firm whose sole shareholder and designated director is A, the Respondent's spouse;
21. The Respondent is not officially reported to CIDREQ as holding a position within Company 9175-3178;
22. A has no academic training in connection with the financial or securities fields and is not employed in either of these fields;
23. The address shown as the domicile of Company 9175-3178 is the same as the residential address of A and of the Respondent;
24. On or about July 14, 2008, Company 9175-3178 opened Account No. 13C504A-1 at Canaccord. It is a management company account for which Respondent is designated as the representative and for which A is designated as the surety;
25. Six (6) of Respondent's clients having an account at Canaccord acquired shares in Company 9175-3178;
26. The following table provides details regarding the identity of the shareholders of Company 9175-3178 and their holding in this company. The information contained in the table is based on information supplied by the Respondent:

DESCRIPTION BY CATEGORY OF THE SHAREHOLDERS OF COMPANY 9175-3178 AS AT APRIL 28, 2011	NUMBER OF SHARES HELD	% OF SHARES	AMOUNT INVESTED
Shares acquired by the Respondent's six (6) clients in October 2007.	2,700	27%	\$90,000

Shares acquired by <u>other subscribers</u> over the course of 2009, when Respondent was no longer employed at Canaccord.	1,200	12%	\$45,000
Shares acquired by Respondent's spouse A.	6,100	61%	\$100
Total	10,000	100%	\$135,100

27. Respondent did not inform Canaccord of the fact that certain of his clients were investing in Company 9175-3178. In fact, Canaccord was informed of the existence of this private placement by IIROC during its investigation;
28. The following table gives the identity of each of Respondent's six (6) clients who invested in Company 9175-3178, as well as the number of their respective brokerage accounts held at Canaccord. It also provides details regarding their investment:

INFORMATION REGARDING RESPONDENT'S CLIENTS WHO PURCHASED SHARES IN COMPANY 9175-3178 IN OCTOBER 2007				
NAME	CLIENT OR CLIENTS' CANACCORD ACCOUNT NUMBER	SHARES ACQUIRED	% HELD	AMOUNT INVESTED
B	55A-496	450	4.5%	\$15,000
C	55A-600	450	4.5%	\$15,000
D	55A-434	450	4.5%	\$15,000
E	55A-685	450	4.5%	\$15,000
F	55A-578	450	4.5%	\$15,000
G	55A-582	450	4.5%	\$15,000
Total		2,700	27.0 %	\$90,000

29. The October 2007 account statements of Respondent's six (6) clients do not reveal any share purchase transactions concerning Company 9175-3178, nor even the fact that they hold long positions in the shares of this company;
30. Moreover, the analysis of the six (6) clients' monthly account statements shows that funds were transferred in the month of October 2007 in five (5) out of six (6) cases, and that the realized fund transfers correspond approximately to the amount invested by each client in Company 9175-3178.

IV. Terms of Settlement

31. Staff and the Respondent consent and agree to the settlement of these matters by way of this Settlement Agreement in accordance with IIROC Dealer Member Rule 20.35 to 20.40 inclusive and Rule 15 of the Dealer Member Rules of Practice and Procedure;
32. The Settlement Agreement is subject to acceptance by the Hearing Panel;
33. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel;
34. The Settlement Agreement will be presented to the Hearing Panel at a hearing (the Settlement Hearing) for approval. Following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement;
35. If the Hearing Panel accepts the Settlement Agreement, the Respondent waives his right, under IIROC

rules and any applicable legislation, to a disciplinary hearing, review or appeal;

36. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement; or Staff may proceed to a disciplinary hearing in relation to the matters disclosed in the Investigation;
37. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel;
38. Staff and the Respondent agree that, if the Hearing Panel accepts the Settlement Agreement, they or anyone on their behalf will not make any public statements inconsistent with the Settlement Agreement;
39. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately on the effective date of the Settlement Agreement;
40. Unless otherwise stated, suspensions, prohibitions, expulsions, restrictions and other conditions or terms of the Settlement Agreement shall commence on the effective date of the Settlement Agreement.

AGREED TO by Respondent at St-Raymond (Québec), January 24, 2012.

« **Witness** »

WITNESS

« **Alain Laroche** »

ALAIN LAROCHE, RESPONDENT

AGREED TO by Staff at the City of Montréal (Québec), January 26, 2012.

« **Witness** »

WITNESS

« **Myriam Giroux- DelZotto** »

MYRIAM GIROUX-DEL ZOTTO

Enforcement Counsel, on behalf of Staff of IIROC