

Re Bridgman

IN THE MATTER OF:

**The Rules of the Investment Industry Regulatory Organization of
Canada**

and

Donald Willson Bridgman (“Respondent”)

2018 IIROC 14

Investment Industry Regulatory Organization of Canada
Hearing Panel (Ontario District)

Heard: April 20, 2018 in Toronto, Ontario
Decision: May 10, 2018

Hearing Panel:

Frederick H. Webber, Chair, Jane Waechter and Peter J. Gribbin

Appearance:

Rob Delfrate, Senior Enforcement Counsel, IIROC
Kenneth Dekker, for Donald Willson Bridgman

In Attendance:

Donald Willson Bridgman

DECISION AND REASONS

A. SETTLEMENT HEARING

¶ 1 This is a hearing pursuant to a settlement agreement between the parties dated the 13th day of April 2018, (the “Settlement Agreement”), a copy of which is attached hereto. The panel members were given written submissions by IIROC counsel in support of the settlement and heard oral submissions from both counsel supporting acceptance of the Settlement Agreement. The facts upon which the settlement is based are set forth therein and will not be repeated herein. Pursuant to IIROC Rules, they are the only facts upon which the panel’s decision is based.

B. ADMISSIONS

¶ 2 Under the Settlement Agreement, the Respondent admitted the following contraventions of IIROC Rules:

Contravention 1

Between December 2012 and September 2017, the Respondent engaged in personal financial dealings with his clients, contrary to Dealer Member Rules 29.1 and 43;

Contravention 2

Between February 2017 and September 2017, the Respondent made untrue and misleading statements to his Dealer Member, contrary to Consolidated Rule 1400.

C. AGREED SANCTIONS

¶ 3 IIROC and the Respondent agreed to the following sanctions and costs:

- a) a prohibition of approval in any capacity for a period of two years, beginning January 1, 2018 until January 1, 2020;
- b) A fine in the amount of \$22,500; and
- c) Costs of \$2500.

D. PRINCIPLES FOR DECISION

¶ 4 Under IIROC Rules, the panel must either accept or reject the Settlement Agreement. Cases such as *Re Bereskin*, [2010] 37 IIROC 37, establish that the panel must decide whether the agreed sanctions “strike a balance between fairness to the Respondent in the circumstances and the need to protect the investing public, the industry membership, the integrity of the discipline process, the integrity of the securities markets and prevention of a repetition of the offense.”

¶ 5 The principle upon which that decision should be based is set forth in the well-known case of *Re Milewski* [1999] I.D.A.C.D. No. 17 and has been confirmed in numerous subsequent cases, viz:

“A [panel] considering a settlement agreement will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness. Put another way, the [panel] will reflect the public interest benefits of the settlement process in its consideration of specific settlements.”

This panel agrees with, and has followed that principle in reaching its decision in this case.

E. IIROC SANCTION GUIDELINES

¶ 6 IIROC’s written submissions, which counsel reviewed with the panel, set out the IIROC Sanction Guidelines (the “Guidelines”) as applicable to this case. Although the Guidelines are not binding on the panel, they have been adopted by IIROC, it is reasonable to treat them as indicative of industry expectations and this panel feels that they can be of assistance in determining whether to accept the Settlement Agreement.

¶ 7 The Guidelines list key factors in determining sanctions. IIROC counsel reviewed with the panel the following factors as applicable in this case:

- *the number, size and character of the transactions at issue;*
- *whether the respondent engaged in numerous acts and/or a pattern of misconduct;*
- *whether the respondent engaged in the misconduct over an extended period of time.*

The Respondent borrowed over \$320,000 from eight clients. Apart from one loan in 2012, the majority of the borrowing took place over a two year period. This was not a single error or lapse in judgment, but rather a pattern of misconduct which took place over an extended period.

- *whether the misconduct was intentional, willfully blind, or reckless with respect to regulatory requirements.*

The Respondent’s conduct in this case was intentional. He knew or ought to have known that borrowing from clients without the knowledge or consent of his firm was prohibited, as was making misleading

statements to his representatives of his firm.

- *extent of harm to clients or other market participants;*
- *extent to which the respondent obtained or attempted to obtain a financial benefit from the misconduct;*
- *whether the respondent made voluntary acts of compensation, including voluntary disgorgement of commissions, profits, other benefits and/or payment of restitution to clients.*

The Respondent engaged in the misconduct for personal financial benefit. He was the recipient of all of the client loans. This is an aggravating factor. However, as of December 2017, all clients have been repaid in full. As such, there was no actual harm to clients as a result of the Respondent's personal dealings and he has retained no personal benefit.

- *whether the respondent attempted to conceal his or her misconduct or to lull into inactivity, mislead, deceive or intimidate a client, regulatory authorities or, in the case of an individual respondent, the member firm with which he or she is/was associated.*

The Respondent's statements were aimed at concealing the underlying borrowing from his clients. He had multiple opportunities to correct the initial misleading and untrue statements, but instead repeated these before eventually admitting to the borrowing.

¶ 8 The Respondent's counsel also emphasized as mitigating factors, that:

- all the borrowing was from friends who knew that he was in financial difficulties, as opposed to what he characterized as actions of a "financial predator";
- when the Respondent admitted to his Member that he had borrowed from a particular client about which they were inquiring, he also admitted other client borrowing;
- the borrowing took place at a time when the Respondent was suffering financial and health difficulties which have now been resolved and therefore there was little future risk of similar misconduct.

¶ 9 Other relevant factors noted in the Settlement Agreement were:

- the Respondent admitted his misconduct and entered into the Settlement Agreement which shortened the time and resources required to resolve this matter;
- apart from the initial inquiry which initiated this matter, IIROC has received no other complaints about the Respondent.

¶ 10 The panel agrees that the factors as outlined by IIROC counsel apply in this case. Respondent's counsel took no issue with the application of those factors. The panel also took into account the mitigating factors submitted by the Respondent's counsel and the other factors in the Settlement Agreement.

F. CASES

¶ 11 IIROC counsel referred the Panel to several cases in support of his submission that the Settlement Agreement should be accepted by the panel. While the facts in all of the cases were different than in this case, there were sufficient similarities that the cases provided useful guidance to the Panel in coming to its decision to accept the Settlement Agreement.

G. DECISION

¶ 12 It is the decision of this Panel to accept the Settlement Agreement and the members signed a copy thereof to that effect at the hearing.

Dated as of May 10th, 2018.

Frederick H. Webber

Chair

Peter Gribbin

Panel Member

Jane Waechter

Panel Member

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Investment Industry Regulatory Organization of Canada (“IIROC”) will issue a Notice of Application to announce that it will hold a settlement hearing to consider whether, pursuant to Section 8215 of the Consolidated Enforcement, Examination and Approval Rules of IIROC, a hearing panel (“Hearing Panel”) should accept the settlement agreement (“Settlement Agreement”) entered into between the staff of IIROC (“Staff”) and Donald Willson Bridgman (“Respondent”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

PART III – AGREED FACTS

3. For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement

Overview

4. The Respondent borrowed over \$320,000 from several clients. He did so without the knowledge or consent of his firm, Assante Capital Management Ltd. The clients have all been repaid.
5. When alerted to the potential borrowing, representatives of Assante questioned the Respondent. Instead of admitting to the borrowing from clients, the Respondent initially made untrue and misleading statements to Assante in an attempt to conceal his misconduct.

Registration History

6. From October 2000 to September 2017, the Respondent was registered as a Registered Representative with a Hamilton, Ontario branch of Assante, an IIROC Dealer Member. The Respondent had previously been registered in various capacities in the securities industry since 1978. The Respondent has no history of disciplinary proceedings.
7. In 2012, IIROC imposed strict supervision terms and conditions on the Respondent after he had filed a

consumer proposal. These terms and conditions remained in place until September 2017.

8. The Respondent has not been registered in the securities industry since September 2017.

Borrowing From Clients

9. In June 2016, the Respondent met with client TB. At the time, she was 86 years old. TB had been a client of the Respondent's since the 1980s. He considered her a friend.
10. Alerted to his financial difficulties, TB offered to give the Respondent \$5,000 as a "bonus" for having managed his investments, which the Respondent accepted.
11. On or around November 29, 2016, the Respondent again met with TB. At this time, he obtained a loan from her in the amount of \$50,000. This loan was funded with part of the proceeds of a previously processed sale of mutual funds held by TB in her account at Assante. The mutual fund sale proceeds were then transferred to her bank account and subsequently provided to the Respondent.
12. On or around February 6, 2017, at the request of one of TB's daughters, the Respondent repaid TB both the \$50,000 loan as well as the \$5,000 "bonus".
13. The funds used to repay TB were obtained by the Respondent from a loan obtained from another set of clients, SY and EY (the "Ys").
14. The Ys had been clients of the Respondent since the 1980s. He considered them friends.
15. On or around January 27, 2017, the Respondent met with the Ys to discuss their investment accounts. At that time, SY was 62 years old and EY was 64 years old.
16. During that meeting, the Respondent obtained a loan from the Ys for \$80,000. The Respondent provided a promissory note to the Ys dated February 3, 2017. Pursuant to the terms of the promissory note, the Respondent agreed to make interest payments of 8% per annum (payable monthly) and agreed to repay the entire principal on or before January 27, 2019.
17. In addition to the loans from TB and from the Ys, the Respondent also obtained loans totaling over \$190,000 from 6 other clients, who he also considered to be friends, as set out in the table below:

Client	Amount of Loan	Date
MW	\$33,000	July 25, 2016
DC and BC	\$20,000	October 28, 2015
RT	\$27,000	n/a
DR	\$40,246	May 10, 2017
PR and PC	\$25,977.50	May 29, 2017
KH and JH	\$30,000	December 10, 2012
	\$15,000	September 27, 2016

Misrepresentations to Assante Compliance Personnel

18. On or about February 6, 2017, IIROC Staff received an anonymous inquiry from a person claiming that a financial advisor had borrowed money from her mother. IIROC Staff advised Assante that, based on the information obtained from the anonymous complainant, the Respondent may have been that registrant.

19. Following a review, Assante determined that the client may have been TB. Representatives of Assante asked the Respondent if he had ever borrowed funds from an elderly client who matched the description of TB and specifically if he had ever borrowed funds from TB. The Respondent advised Assante that he had not borrowed funds from TB. In fact, as outlined above, the Respondent had borrowed \$50,000 from TB. In addition, he had outstanding loans with several other clients as outlined in the table above.
20. In May 2017, after being advised that IIROC was opening an investigation, representatives of Assante again asked the Respondent if he had ever borrowed funds from a client, and specifically, if he had borrowed funds from TB. The Respondent advised Assante that he had not. Again, this was not true.
21. By this time, as outlined above, although the Respondent had repaid the amount outstanding to TB, he had borrowed additional funds from the Ys. As outlined in the table above, he had also borrowed new funds from other clients.
22. In September 2017, following a third request for information from IIROC and Assante, the Respondent met with representatives of Assante. He advised them that not only had he borrowed and repaid funds from TB, he had also borrowed funds from four other clients. The Respondent subsequently recalled that he had borrowed funds from three other clients and he disclosed this to Assante.
23. In December 2017, all of the amounts outstanding were repaid in full.

Additional Relevant Factors

24. During the course of the IIROC investigation, the Respondent admitted to the misconduct described above and agreed to resolve this matter by way of a settlement agreement with IIROC Staff. His admissions shortened the length of time required to investigate this matter and led to an early resolution.
25. The Respondent advised IIROC Staff that he borrowed the money because of ongoing financial difficulties he was experiencing resulting from, among other things, a large unpaid tax bill and significant health issues affecting both him and members of his immediate family. The Respondent advises that he has paid in full his debts to the Canada Revenue Agency for unpaid taxes, interest and penalties.
26. Apart from the initial inquiry from TB's daughter, no complaints to IIROC have been received about the Respondent in relation to the loans or any other matter.

PART IV – CONTRAVENTIONS

27. By engaging in the conduct described above, the Respondent committed the following contraventions of IIROC's Rules:

Contravention 1

Between December 2012 and September 2017, the Respondent engaged in personal financial dealings with his clients, contrary to Dealer Member Rules 29.1 and 43.

Contravention 2

Between February 2017 and September 2017, the Respondent made untrue and misleading statements to his Dealer Member, contrary to Consolidated Rule 1400.

PART V – TERMS OF SETTLEMENT

28. The Respondent agrees to the following sanctions and costs:
 - a) a prohibition of approval in any capacity for a period of two years, beginning January 1, 2018 until January 1, 2020;

- b) A fine of \$22,500; and
- c) Costs of \$2,500

29. If this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Staff and the Respondent.

PART VI – STAFF COMMITMENT

30. If the Hearing Panel accepts this Settlement Agreement, Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.

31. If the Hearing Panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

32. This Settlement Agreement is conditional on acceptance by the Hearing Panel.

33. This Settlement Agreement shall be presented to a Hearing Panel at a settlement hearing in accordance with the procedures described in Sections 8215 and 8428, in addition to any other procedures that may be agreed upon between the parties.

34. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the Hearing Panel.

35. If the Hearing Panel accepts the Settlement Agreement, the Respondent agrees to waive all rights under the IIROC Rules and any applicable legislation to any further hearing, appeal and review.

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 based on the same or related allegations.

37. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.

38. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and IIROC will post a full of copy of this Settlement Agreement on the IIROC website. IIROC will also publish a summary of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement.

39. If this Settlement Agreement is accepted, the Respondent agrees that neither [he/she/it] nor anyone on [his/her/its] behalf, will make a public statement inconsistent with this Settlement Agreement.

40. The Settlement Agreement is effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

41. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

42. A fax or electronic copy of any signature will be treated as an original signature.

DATED this “30th” day of “March”, 2018.

“Jennifer Wilson-Bridgman”

Witness

“Donald Willson Bridgman”

Donald Willson Bridgman

“Ricki Ann Newmarch”

Witness

“Rob DelFrate”

Rob DelFrate

Enforcement Counsel on behalf of Enforcement
Staff of the Investment Industry Regulatory
Organization of Canada

The Settlement Agreement is hereby accepted this “20th” day of “April”, 2018 by the following Hearing Panel:

Per: “Frederick Webber”

Panel Chair

Per: “Peter Gribbin”

Panel Member

Per: “Jane Waechter”

Panel Member

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