

Re Tardif

IN THE MATTER OF:

THE DEALER MEMBER RULES OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AND

THE BY-LAWS OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

AND

YVES TARDIF

2010 IIROC 33

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

Decision: August 6, 2010
(14 paras.)

Hearing Panel:

Guy Lafrance, Panel Chair
André D. Godbout, Panel Member
Jean Jeannot, Panel Member

Appearance:

Sébastien Tisserand, Counsel for the IIROC
Robert Brunet, Counsel for the Respondent

SETTLEMENT AGREEMENT DECISION

¶ 1 In June 2010, the Respondent and IIROC staff signed a settlement agreement pursuant to By-laws 20.35 to 20.40 and Rule 15 of the Association's Rules of Practice and Procedure.

¶ 2 The agreement must be approved by this Hearing Panel to constitute a final and non-appealable disciplinary decision.

¶ 3 The role of the Hearing Panel is not to decide on the penalty it would have imposed but to determine whether the penalty agreed upon by the parties is reasonable given the gravity of the misconduct and the aggravating and mitigating factors submitted into evidence.

¶ 4 The parties therefore appeared before the Panel to ask us to approve the following agreement:

“SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The Enforcement Department Staff (hereinafter, the “**Staff**”) of the Investment Industry Regulatory Organization of Canada (hereinafter, “**IIROC**”) has conducted an investigation (hereinafter, the “**Investigation**”) into the conduct of Yves Tardif (hereinafter, the “**Respondent**”);
2. The Investigation was commenced by Enforcement Department Staff of the Investment Dealers Association of Canada (hereinafter, the “**Association**”) prior to May 30, 2008;
3. On June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Association and Market Regulation Services Inc.;
4. Pursuant to the *Administrative and Regulatory Services Agreement* between the Association and IIROC, effective June 1, 2008, the Association has retained IIROC to provide services for the Association to carry out its regulatory functions;
5. The Investigation disclosed matters for which the Respondent may be disciplined by a Hearing Panel appointed pursuant to IIROC Transitional Rule No. 1, Schedule C.1, Part C (hereinafter, the “**Hearing Panel**”);

II. JOINT SETTLEMENT RECOMMENDATION

6. The Respondent consents to be subject to the jurisdiction of IIROC and acknowledges the jurisdiction of the IIROC Hearing Panel, for all legal purposes;
7. Staff and the Respondent consent and agree to the settlement of these matters by way of this settlement agreement (hereinafter, the “**Settlement Agreement**”) in accordance with IIROC Dealer Member Rules 20.35 to 20.40, inclusive and Rule 15 of the Dealer Member Rules of Practice and Procedure;
8. The Settlement Agreement is subject to acceptance by the Hearing Panel;
9. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel;
10. The Settlement Agreement will be presented to the Hearing Panel at a hearing (hereinafter, the “**Settlement Hearing**”) for approval;
11. Following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement;
12. 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 regarding the this decision by the Hearing Panel and the Settlement Agreement or the facts disclosed in the Investigation;
13. 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;
14. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel;
15. 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;
16. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.;

III. STATEMENT OF FACTS

17. Staff and the Respondent agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.
18. From 1990 until January 2004, the Respondent was registered as a group savings brokerage representative on behalf of Investors Services Ltd., Rimal Financial Inc., Norshield Fund Management Ltd. and IForum Financial Services Inc. (hereinafter, collectively “**IForum Financial Services**”);
19. Beginning on January 14, 2004, the Respondent was registered with the Autorité des marchés financiers (hereinafter, the “**AMF**”) as a full service securities representative with a practice limited to group savings until December 1, 2005, the date that former member firm IForum Securities Inc. (hereinafter, “**IForum Securities**”) was suspended;
20. The Association granted the Respondent approval as a registered representative (mutual funds) on or about March 8, 2004;
21. As a registered representative (mutual funds), the Respondent worked in the IForum Securities sub-branch in Varennes, Quebec;
22. Between November 1, 1998 and February 9, 2006, the Respondent also held certificates in insurance of persons and in financial planning, as an independent representative.
23. The Respondent’s registration as an independent representative was suspended by the AMF from February 10 to May 10, 2006. Were the Respondent to resume his activities as an independent representative, he would have to comply with the conditions imposed by the AMF;
24. The Respondent has not been registered in the employ of an Association member firm in the securities industry since December 1, 2005;
25. At all material times, the Respondent was employed with IForum Securities;

IForum Securities Inc.

26. Prior to March 26, 2001, IForum Securities was known as Norshield Securities Inc. (hereinafter, “**Norshield Securities**”);
27. Norshield Securities, then IForum Securities, was a full service dealer. It had been an Association member firm since March 1, 2001 and had its principal place of business in Montreal, Quebec;
28. In July 2001, IForum Securities signed a service agreement with B2B Trust, a federally chartered trust company. IForum Securities never reported this agreement to the Association, which discovered its existence in October 2005;
29. Previously a Type 3 introducing broker, IForum Securities had been a Type 2 introducing broker since June 2005;
30. The carrying broker for IForum Securities was Penson Financial Services Canada Inc. (hereinafter, “**Penson**”);

Promissory notes

31. Through representatives of IForum Securities and IForum Financial Services, the Respondent among them, promissory notes were issued and/or sold by MRACS Management Ltd. (hereinafter, “**MRACS**”), Real Vest Investments Ltd. (hereinafter, “**Real Vest**”), and Real Assurance Acceptance Corporation (hereinafter, “**RAAC**”) (hereinafter, collectively the “**Issuing Corporations**”);
32. The promissory notes that were issued were registered with two trustees, namely B2B Trust and Penson;

33. None of the Issuing Corporations (MRACS, Real Vest or RAAC) had produced audited financial statements on which the representatives might have relied;
34. Confidential “registration statements” about the Issuing Corporations had been distributed to the investors. They erroneously indicated that the promissory notes were offered in accordance with the prospectus exemption requirements stipulated by the *Securities Act*, R.S.Q., c. V-1.1 (hereinafter, the “Act”);
35. The holders of the promissory notes believed or might reasonably have believed that their investments were in Mount Real Corporation (hereinafter, “MRC”) rather than in the Issuing Corporations;
36. The French version of the confidential registration statements indicated that MRC “*fournira les ressources requises pour assurer les activités de la société émettrice*” [will provide the required resources to support the activities of the issuing corporation]. The English version read: “*Mount Real Corporation, the Corporation’s parent company, will provide adequate resources to support the Corporation’s operations*” (our underlining);
37. However, contrary to the information contained in the confidential registration statements, none of the Issuing Corporations was any longer a subsidiary of MRC. In fact:
 - a) MRACS (previously known as Mount Real Acceptance Corporation) had been sold by MRC in September 2002;
 - b) MRC had sold its 29% interest in Real Vest in 2004;
 - c) RAAC’s majority shareholder was Real Vest;
38. Finally, the holders of the promissory notes of the Issuing Corporations received correspondence on letterhead bearing the MRC logo, which may have caused confusion;

2500 Allard St., Montréal, Quebec

39. The majority shareholder of IForum Securities as well as IForum Financial Services, Réseau financier iForum inc., IForum Financial Services (*sic*), MRC, MRACS, RAAC and Joseph Pettinichio, President of Réseau financier iForum inc. and MRC, all had a place of business at 2500 Allard St., in Montreal, Quebec;

Investigations and proceedings

40. On January 19, 2005, the newspaper *La Presse* published an article concerning, among other things, MRC’s liquidity problems;
41. On February 21, 2005, the AMF launched an investigation into the securities distribution activities of MRACS, MRC and the corporations with activities in connection with them;
42. On June 18, 2005, a new article in the newspaper *La Presse* reported on MRC’s illegal financing practices;
43. Subsequent to that article, on June 20, 2005, the price of MRC’s stock tumbled by more than 40% and trading on the security was suspended;
44. On June 22, 2005, the AMF announced that it was conducting an Investigation into MRC’s financial operations;
45. On or about October 3, 2005, the Association’s Sales Compliance Staff referred to the Association’s Enforcement Department information relative to irregularities that had been observed during the examination of IForum Securities;
46. On or about October 7, 2005, the Investigations Staff informed IForum Securities that it was proceeding with an investigation into the latter’s compliance;

47. On or about November 2, 2005, Penson decided to rate all of the Issuing Corporations' promissory notes, which it held as the carrying broker, as "not available" on the clients' statements of account because many promissory notes had matured and had not been repaid;
48. On or about November 7, 2005, in view of the irregularities observed during an examination of IForum Securities by the Association's Sales Compliance Staff, and following the analysis of information received from IForum Securities' carrying broker, the Association's Director, Member Regulation informed IForum Securities of its designation in Early Warning Level 2 and of the restrictions that were consequently applicable in accordance with the provisions of By-law 30, and ordered that additional restrictions be imposed in accordance with By-law 20.28;
49. On or about November 9, 2005, the Bureau de décision et de révision en valeurs mobilières (hereinafter, "**BDRVM**") issued an order, among other things, prohibiting MRC, MRACS, Real Vest, RAAC, IForum Securities and IForum Financial Services from disposing of funds, securities or other assets in their possession (hereinafter, the "**Order**");
50. The Order also prohibited MRC, MRACS, Real Vest and RAAC from effecting a transaction in securities, and IForum Securities and IForum Financial Services from effecting any activity in respect of a transaction in the securities of MRC, MRACS, Real Vest and RAAC;
51. On or about November 10, 2005, at the request of the AMF and pursuant to a recommendation to this effect made by the BDRVM, the Minister of Finance designated a receiver to administer the property of IForum Securities or the affairs of IForum Securities in lieu of the board of directors;
52. The total amount of the issued promissory notes was estimated to be \$62 million at the time;
53. On or about November 24, 2005, the Association informed the Respondent that it was proceeding with an investigation about his activities with IForum Securities;
54. IForum Securities' membership in the Association was suspended on December 1, 2005;
55. On December 9, 2005, the interim receiver appointed by the Superior Court, Raymond Chabot Inc., sold IForum Securities' client accounts to Industrial Alliance Securities Inc.;
56. On December 11, 2005, IForum Securities filed an assignment of its property;
57. On January 24, 2006, the Minister of Finance appointed a receiver to administer the property of MRACS, Real Vest and RAAC;
58. In its report dated February 23, 2006, the receiver estimated that the promissory notes issued by the Issuing Corporations totalled approximately \$125 to \$135 million;
59. On March 8, 2006, MRC, MRACS, RAAC and Real Vest filed a declaration of bankruptcy;
60. On May 5, 2006, a hearing panel expelled IForum Securities from the Association;
61. On March 28, 2007, the BDRVM withdrew the rights conferred on IForum Securities by its registration as a securities dealer;
62. On November 7, 2007, in its progress report, the trustee in bankruptcy of MRC and the Issuing Corporations indicated that it remained [Translation] "*of the opinion that if any dividend is declared for the creditors, it would be marginal considering the few assets available for conversion, the recovery costs, and the legal costs connected with the proceedings instituted or challenged by the persons or corporations under influence from the former executives of Mount Real Corporation*";
63. The holders of the promissory notes thus lost their entire investment;

TRANSACTIONS NOT PERMITTED UNDER THE TERMS OF THE APPROVAL GRANTED

BY THE ASSOCIATION TO THE RESPONDENT AS A REGISTERED REPRESENTATIVE (MUTUAL FUNDS) AND EFFECTED OFF-BOOK

64. On March 8, 2004, the Association granted the Respondent approval as a registered representative (mutual funds);
65. Between March 22, 2004 and October 28, 2005, following instructions given by 75 clients, the Respondent accepted 117 orders for the purchase or renewal of promissory notes from Real Vest and MRACS in 99 client accounts with a total book value of approximately \$6,438,546.05;
66. The approval granted by the Association to the Respondent as a registered representative (mutual funds) did not permit him to effect such transactions on securities other than mutual fund securities;
67. What's more, none of these promissory notes was recorded on the books of IForum Securities. Rather, the securities were registered with B2B Trust;
68. Also, none of the promissory notes that were purchased or renewed were the subject of a prospectus and many of them did not meet the legal requirements in this regard;
69. Of the said 117 orders that were accepted by the Respondent:
 - a) five (5) orders involved the purchase or renewal of promissory notes from MRACS, evidencing a sum under \$50,000, for which there was no prospectus and no exemption, contrary to sections 11 and 41(3) of the Act;
 - b) five (5) orders were for the purchase or renewal of promissory notes from Real Vest, evidencing a sum under \$50,000, for which there was no prospectus and no exemption, contrary to sections 11 and 41(3) of the Act;
 - c) three (3) orders were for the renewal of promissory notes from MRACS, evidencing a sum over \$50,000, but under \$150,000, for which there was no prospectus and no exemption, contrary to sections 11 and 41(3) of the Act;
 - d) twenty-two (22) orders were for the renewal of promissory notes from Real Vest, evidencing a sum over \$50,000, but under \$150,000, for which there was no prospectus and no exemption, contrary to sections 11 and 41(3) of the Act;
 - e) three (3) orders were for the purchase and renewal of promissory notes from Real Vest, evidencing a sum of \$150,000 or more, without the notice stipulated in section 46 of the Act having been given, contrary to section 51 of the Act;
70. The Respondent carried out many of these trades when he knew or should have known that the corporations issuing the promissory notes were having liquidity problems;
71. Furthermore, in November 2005 the Respondent was also responsible for the accounts of fifteen (15) clients at B2B Trust who held promissory notes from Real Vest and MRACS evidencing a total amount of approximately \$2,324,244.19, as well as the accounts of approximately 42 clients at B2B Trust, where the clients held roughly 24 securities other than mutual fund securities, with an approximate book value of \$492,755.73;

FEES CHARGED TO CLIENTS WITHOUT THE KNOWLEDGE OR AUTHORIZATION OF HIS EMPLOYER

72. Between around March 30, 2004 and October 12, 2005, the Respondent sent letters to eight (8) of his clients, requesting professional fees totalling approximately \$2,939;
73. After invoicing his clients, the Respondent collected the fees;
74. The Respondent was invoicing and collecting these fees without the knowledge of IForum

Securities;

DISTRIBUTION OF COMMUNICATIONS TO CLIENTS WITHOUT THE KNOWLEDGE OR AUTHORIZATION OF HIS EMPLOYER

75. On or about November 16, November 23, and December 1, 2005, the Respondent, without the knowledge of his employer, sent ten (10) of his clients letters that contained false, misleading and incomplete information;

a) November 16, 2005 mailing

76. In his letter dated November 16, 2005, the Respondent wrote the following, in particular, to six (6) of his clients:

[Translation] *“This is pursuant to certain announcements that have appeared in newspapers like: La Presse, Le Journal de Montréal etc., to the effect that iForum Securities and IForum Financial Services have been placed in trusteeship by the Autorité des Marchés Financiers (hereinafter, the “AMF”).*

Because the funds that you hold with iForum Securities and IForum Financial Services are not subject to the AMF’s investigation referenced in the newspaper articles mentioned above, your situation is identical to that which prevailed before the AMF began its investigation, and even identical to that which prevailed when you subscribed to the different funds with iForum Securities and/or IForum Financial Services.

Out of respect for my clients, in order to eliminate all concerns and maintain your trust, I am leaving iForum Securities in order to become associated with another brokerage firm. At the same time, I will transfer all of my clients along with me. I will inform you very shortly of the name of the firm that I will be joining.”

77. The Respondent knew or should have known that the funds that his clients held with iForum Securities and IForum Financial Services, namely Real Vest and MRACS, were subject to the AMF Investigation;

78. The Respondent knew or should have known that, on or about November 2, 2005, Penson had decided to rate all of the promissory notes which it held as the carrying broker as “not available” on the clients’ statements of account;

79. The Respondent also knew or should have known of the Order prohibiting any activity issued by the BDRVM on or about November 9, 2005;

80. The Respondent knew or should have known that, since November 16, 2005, the chances of recovering the total amount of approximately \$1,255,475.74 invested by his clients between April 12, 2002 and July 13, 2005 in promissory notes from Real Vest were most certainly in doubt;

81. In fact, Real Vest’s cash problems were known well before November 16, 2005, and the Respondent knew that Real Vest was unable to pay either the principal or interest due on the maturing promissory notes. Furthermore, this is why the Respondent advised his clients to renew their maturing promissory notes;

82. Accordingly, on or about November 16, 2005, the Respondent knew or should have known that his clients’ position was not at all [Translation] *“identical to that which prevailed when [they] subscribed to the different funds with iForum Securities and/or IForum Financial Services”*. In sending them such information, the Respondent may have misled his clients;

1. November 23, 2005 mailing

83. On or about November 23, 2005, the Respondent sent nine (9) of his clients a new letter. It stated

the following, among other things:

[Translation] “*Here is some news regarding our Real Vest investments (MountReal)*

-1-

We met with a law firm yesterday regarding a class action on behalf of all the investors against several of the companies involved (the chartered accounting firms that produced the financial statements, B2B Trust, Penson, etc.). The lawyers will decide, based on the records, which companies to sue in order to obtain the largest settlement (\$\$\$).

Towards the middle of next week, we will receive the documents from the lawyers, which will need to be signed by the clients, and we will have 10 days to complete everything.

-We will have a letter explaining the steps being taken

-We will have a form for clients to sign to enrol in the class action, and a cost request for each client (according to your investment amount as at October 30, 2005).

-We will have a letter for you to sign waiving all legal action against the representative (Yves Tardif).

The lawyers have agreed to hold a meeting with all of the clients involved.

[...]”

84. In sending this information, the Respondent may have wrongly caused his clients to believe that their eligibility for the class action was conditional on their exonerating the Respondent of all liability and that they had a chance of recovering their money, which was unfounded;

c) December 1, 2005 mailing

85. On or about December 1, 2005, the Respondent sent five (5) of his clients a third letter. Among other things, it indicated the following:

[Translation] “*Early next week, you will receive a form from another law firm, asking you to approve the reactivation of MountReal. An attorney specializing in corporate rescues has studied the company and is convinced that it is a viable enterprise if properly managed. He will oversee the rescue. We must have the consent of 2/3 of the investors before the accountants’ report is filed, namely by December 15. We are asking for your cooperation to return this form as quickly as possible.*”

86. Thus, even though his clients had no interest in MRC, the Respondent was asking them to “approve the reactivation” of this company. No explanation was given as to why the clients were receiving such a request, the name of the attorney “specializing in corporate rescues” was not indicated, and no reason was provided to support the statement that the company was viable. Despite this, the Respondent was asking his clients to sign a form “quickly” without providing any details as to its purpose or intended use;

87. Once again, by sending this letter, the Respondent may have led his clients to believe that there was a chance of recovering their money;

DISTRIBUTION OF CONSOLIDATED PORTFOLIO STATEMENTS THAT DO NOT MEET THE ASSOCIATION’S STANDARDS

88. Between March 10, 2004 and October 6, 2005, the Respondent prepared and sent to seventeen (17) of his clients consolidated portfolio statements that did not meet the standards established by the Association;

89. The consolidated portfolio statements did not include a disclaimer clause stating that they were not “official statements” and that they complemented [Translation] “*the statements produced by the legal entity sent to the clients for each account held with the member company, or with other entitles through which the transactions were effected or the positions held*”;
90. The consolidated portfolio statements therefore did not [Translation] “*clearly identify the legal entity through which each transaction was effected, or which held each asset or cash balance*”;

DISTRIBUTION OF CONSOLIDATED PORTFOLIO STATEMENTS CONTAINING FALSE AND MISLEADING INFORMATION

91. Between around March 10, 2004 and October 6, 2005, the Respondent prepared and sent to seventeen (17) of his clients consolidated portfolio statements containing false and misleading information regarding the promissory notes issued in their name by Real Vest;
92. On the consolidated portfolio statements sent to his clients, the Respondent referred to the promissory notes from Real Vest as “term deposits”, which they were not;
93. Also, on the consolidated statements sent to his clients, the Respondent gave the promissory notes from Real Vest held by his clients a higher “market value” than they actually had as well as a rate of return that was different from the interest rate shown on the promissory notes;
94. Furthermore, the “market value” shown on the consolidated portfolio statements produced by the Respondent differed from that shown on the statements issued by B2B Trust, or even by Real Vest;
95. In doing so, the Respondent misled or may have misled his clients.

IV. OFFENCES

96. The Respondent acknowledges the following offences:

COUNTS 1 AND 2: TRANSACTIONS NOT PERMITTED UNDER THE TERMS OF THE APPROVAL GRANTED BY THE ASSOCIATION TO THE RESPONDENT AS A REGISTERED REPRESENTATIVE (MUTUAL FUNDS) AND EFFECTED OFF-BOOK

97. Between March 22, 2004 and October 28, 2005, while employed by former member firm iForum Securities Inc., following instructions given by 75 clients, the Respondent accepted 117 orders for the purchase or renewal of promissory notes from Real Vest Investments Ltd. and MRACS Management Ltd. in 99 client accounts with a total book value of approximately \$6,438,546.05, whereas the approval granted by the Association to the Respondent as a registered representative (mutual funds) did not permit him to effect such transactions on securities other than mutual fund securities, thereby contravening By-law 18.7 and By-law 29.1.
98. In November 2005, while a registered representative (mutual funds) in the employ of former member firm IForum Securities Inc. and limited to trading mutual fund securities, the Respondent was responsible for the accounts of 105 clients of B2B Trust, a federally chartered trust company, where said clients held approximately 26 different securities other than mutual fund securities, with an approximate book value of more than nine million dollars (\$9 million), without said securities being recorded in the books of IForum Securities Inc., thereby engaging in business conduct unbecoming and contrary to By-law 29.1.

COUNT 3: FEES CHARGED TO CLIENTS WITHOUT THE KNOWLEDGE OR AUTHORIZATION OF HIS EMPLOYER

99. Between around March 30, 2004 and October 12, 2005, the Respondent accepted compensation from persons other than the former Association member firm IForum Securities Inc., while employed by the latter, by invoicing eight (8) of his clients and receiving from them fees totalling approximately \$2,939, contrary to By-law 18.15.

COUNT 4: DISTRIBUTION OF COMMUNICATIONS TO CLIENTS WITHOUT THE KNOWLEDGE OR AUTHORIZATION OF HIS EMPLOYER

100. On or about November 16, November 23 and December 1, 2005, while employed by former member firm IForum Securities Inc., the Respondent sent ten (10) clients sales literature containing false, misleading and incomplete information, without the knowledge of his employer, thereby contravening Association By-law 29.7(1)(a).

COUNT 5: DISTRIBUTION OF CONSOLIDATED PORTFOLIO STATEMENTS THAT DO NOT MEET THE ASSOCIATION'S STANDARDS

101. Between around March 10, 2004 and October 6, 2005, while employed by the former member firm IForum Securities Inc., the Respondent prepared and sent to seventeen (17) of his clients consolidated portfolio statements that did not meet the Association's standards, thereby violating Association By-law 29.1.

COUNT 6: DISTRIBUTION OF CONSOLIDATED PORTFOLIO STATEMENTS CONTAINING FALSE AND MISLEADING INFORMATION

102. Between around March 10, 2004 and October 6, 2005, while employed by the former member firm IForum Securities Inc., the Respondent prepared and sent to seventeen (17) of his clients consolidated portfolio statements containing false and misleading information regarding the promissory notes issued in the name of said clients by Real Vest Investments Ltd, thereby violating Association By-law 29.1.

VI. TERMS OF SETTLEMENT

103. For all of counts No. 1 to No. 6 inclusively described in paragraphs 98 to 102, the Respondent agrees to comply with the following penalty:

- (i) a permanent prohibition against acting as a registrant in any capacity whatsoever for a dealer member of the IIROC.”

¶ 5 While he was a person registered with the Association as a representative of IForum Securities, the Respondent caused his clients to invest in financial products which he was not authorized to offer.

¶ 6 The Respondent used literature not in compliance with the Act which gave the solicited trades a false appearance of legitimacy and legality.

¶ 7 The Respondent's conduct, over a long period of time, led to the erosion of the patrimony of his clients whereas his clients had a false sense of security and believed that their representative was adequately looking after their file whereas that was not the case.

¶ 8 In addition to the scams carried out by the Respondent to mislead his clients, it must be taken into account that he attempted to be released from civil liability by the said clients by dangling the prospect before them that they might collect their money through a class action which he knew did not exist.

¶ 9 The actions taken by the Respondent caused his clients serious harm.

¶ 10 Although the Respondent does not have a disciplinary record, he cooperated with the Association's investigation and he acknowledged his liability, the objective seriousness of the alleged offences justifies the imposition of the suggested penalty, namely a permanent prohibition against acting as a registrant in any capacity whatsoever for a dealer member of the IIROC.

¶ 11 The Panel questioned the need to impose a severe fine in this case.

¶ 12 The parties informed us that the Respondent has declared bankruptcy and, following legal proceedings by the Autorité des marchés financiers for offences under the Securities Act based on the same facts, was

ordered to pay fines totalling \$453,000.00.

¶ 13 Under the circumstances, the Panel believes that the penalty imposed is acceptable and consistent with contemporaneous jurisprudence for similar offences.

¶ 14 Accordingly, the Hearing Panel accepts the Settlement Agreement entered into between IIROC Staff and the Respondent.

Guy Lafrance, Panel Chair

André D. Godbout, Panel Member

Jean Jeannot, Panel Member

Montreal, August 6, 2010

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