



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A DISCIPLINARY HEARING
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Michele Longchamps and Jeffrey Longchamps

Heard: January 26 & 28, 2010 in Toronto, Ontario
Reasons for Decision: September 22, 2010

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

The Hon. Peter Cory, Q.C.
Jeanne E. Beverly
Heather A. Phillips

Chair
Industry Representative
Industry Representative

Appearances:

Charles Toth)	For the Mutual Fund Dealers Association of
)	Canada
Michele Longchamps)	Did Not Appear
)	
Jeffrey Longchamps)	Did Not Appear
)	

1. Although properly served with all the requisite material in this matter, Michele and Jeffrey Longchamps ultimately decided not to attend their hearing. As a result, the carefully prepared and convincing evidence put forward by the MFDA staff was not contested and can and should be relied upon by the Hearing Panel. It included the two detailed affidavits of Ian R. Smith pertaining to the misappropriation of funds and the failure to cooperate of Michele and Jeffrey Longchamps.
2. The material reveals that Michele Longchamps abused her position of authority as a branch manager with WFG Securities Canada Inc. (“WFG”) and as a registered mutual fund salesperson. She received \$1,594,332.22 from clients to be invested in a “Private Business Investment”, purportedly an insurance product issued by AEGON Dealer Services Canada Inc. (“AEGON”), and an AEGON GIC which was allegedly a guaranteed investment certificate issued by AEGON. These were referred to as the “Investments”.
3. AEGON has confirmed that it did not offer these investments for sale.
4. The sale was fraudulent. It only existed in a fertile imagination, nurtured by smoke and mirrors.
5. The sum of \$96,484.56 was repaid to client, purportedly as interest or redemptions generated by the Investments. The total known net loss that was suffered by the client victims was \$1,497,847.66.
6. This sum was paid by client to Michele Longchamps, Champs Holdings and Integrity Financial Management. It should be noted that Michele and Jeffrey are the sole partners of Champ Holdings and as well the sole directors of Integrity Financial Management with Michele shown as its President.
7. Neither Champ Holdings nor Integrity Financial Management carried on any business and appeared to exist solely to receive money obtained from clients of the Longchamps.

8. It will suffice to say that the scheme was a complete sham. It was based on falsehoods and misrepresentations. They were to a large extent put forward by Michele. But by his words and actions, Jeffrey was aware that this scheme was a fraud and he certainly participated in the reception of the funds obtained from what he knew to be false representations. His statements to others confirm his knowledge of the fraud as does his participation in receiving the client funds. Michele and Jeffrey certainly participated in the misrepresentation to clients and received and apparently made use of those funds for their own benefit.

9. Certainly neither of the Longchamps cooperated with the MFDA to make known the fraudulent scheme that was based on their misrepresentations.

The Penalty

10. What should be the appropriate penalty imposed on each of the Longchamps? At the outset it must be remembered that this was a carefully planned and orchestrated scheme designed to deprive friends, co-workers and clients of funds. The Longchamps knew that there were no “investments”. They were aware that they were funds obtained by means of lies, deception and abuse of their positions. The Longchamps were in a position of trust for their clients. They blatantly abused the trust their clients reposed in them. They lied to clients and knowingly and deliberately misrepresented their actions to their clients. It would be difficult to imagine a more flagrant misrepresentation and abuse of trust.

11. Michele, as a branch manager, took advantage of this position to obtain money from her employees knowing she would be taking it and using it for her own nefarious purposes.

12. Jeffrey, by knowing from whom and how the funds were improperly obtained, readily took funds and deposited them in companies owned and controlled by and him and by Michele.

13. The Longchamps obtained funds from family and clients. They lied, misappropriated funds and effectively stole from those that trusted them. Their wrongdoing was significant, indeed egregious.

14. Michele wrongly took and kept \$1,497,847.66. Clearly, she cannot retain that money. Yet, the penalty must be greater to reflect the magnitude of her wrongdoing. Her fine should be \$1,597,847.66 and a permanent prohibition, and \$10,000.00 by way of costs.

15. Jeffrey knew of Michele's wrongdoing, but readily deposited the proceeds in companies that he and Michele controlled. He could have stopped the wrongdoing but rather shared the proceeds. His actions were the complete antithesis of cooperation. His fine should be \$848,921.83 and a permanent prohibition, and \$10,000.00 by way of costs.

DATED this 22nd day of September, 2010.

"Peter Cory"

The Hon. Peter Cory, Q.C.
Chair

"Jeanne Beverly"

Jeanne Beverly
Industry Representative

"Heather Phillips"

Heather Phillips
Industry Representative