



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

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Douglas Bryan Ruemper

Heard: May 25, 2010 in Vancouver, British Columbia
Reasons for Decision: June 10, 2010

REASONS FOR DECISION

Hearing Panel of the Pacific Regional Council:

The Hon. Thomas R. Braidwood, Q.C.	Chair
Elaine Davison	Industry Representative
Cecilia Wong	Industry Representative

Appearances:

Michelle Pong)	For the Mutual Fund Dealers Association of
)	Canada
Douglas Ruemper)	Attended in Person
)	
)	

1. A Notice of Settlement Hearing was duly given to determine whether pursuant to Section 24.4 of the MFDA By-law No.1, this hearing panel should accept the Settlement Agreement entered into between Staff of the MFDA and Douglas Bryan Ruemper (the “Respondent”).
2. Particulars of the allegations against the Respondent are as follows:
 - (a) the Settlement Agreement concerns allegations that the Respondent:
 - (i) engaged in personal financial dealings with a client, contrary to MFDA Rules 2.1.4 and 2.1.1.
 - (ii) failed to comply with client complaint handling and reporting requirements, contrary to MFDA Rule 1.2.5(b), MFDA Policy No. 3, MFDA Policy No. 6 and MFDA Rule 2.1.1;
 - (iii) had and continued in gainful occupations that were not disclosed to and approved by the Member, contrary to MFDA Rules 1.2.1(d) and 2.1.1.
 - (iv) engaged in securities related business that was not carried on for the account of the Member or through the facilities of the Member, contrary to MFDA Rules 1.1.1 and 2.1.1;
 - (v) failed to ensure that a conflict or potential conflict of interest between his interests and of five clients were addressed by the exercise of responsible judgment influenced only by the best interest of the client, contrary to MFDA Rules 2.1.4 and 2.1.1; and
 - (vi) failed to comply with the Member’s policies and procedures, contrary to MFDA Rules 1.1.2 and 2.5.1 and MFDA Rule 2.1.1.
3. Parties have agreed to the following facts:

Registration History

- (a) From April 2, 2004 to February 8, 2008, the Respondent was registered in British Columbia as a mutual fund salesperson with Quadrus Investment Services Ltd. (“Quadrus” or the “Member”). The Respondent was terminated as a result of the events described herein.

- (b) From October 20, 1997 to April 2, 2004, the Respondent was registered in British Columbia as a mutual fund salesperson with Performa Financial Group Limited. The Respondent was not registered from August 20, 1989 to October 19, 1997.
- (c) Quadrus has been a Member of the MFDA since March 8, 2002.

Background

- (d) The Respondent met WA in or about 1978 and shortly thereafter became his insurance agent.
- (e) In 1997, the Respondent became an Executive Vice-President of a British Columbia management corporation which oversaw the development of two 10-room luxury alpine inns at Sun Peaks, a resort community near Kamloops, B.C. (the "Project"). The Respondent was provided with a company car to use and was to receive a commission of 10% in respect of capital he raised on behalf of the Project and shares in the Project.
- (f) The Respondent persuaded WA to invest \$25,000 in the Project with promises that the investment would double WA's money. WA was advised by the Respondent that the first investment would be in a bed and breakfast situated at Sun Peaks Resort. On February 21, 1997, WA received a certificate for one unit of the Pension No. 1 Investments Limited Partnership for \$10,000. On July 18, 1997, WA received a certificate for 12,500 Class B shares of Eagle Court Pinnacle Lodges Ltd. ("Eagle") for \$15,000. The Respondent received \$30,000 in compensation for his involvement but did not receive any shares.
- (g) In or about 1999, the company that was building the Project went into foreclosure. The Respondent informed WA that the Project had gone into foreclosure, but led WA to believe that his investment had been allocated to other projects and was continuing to perform, as set out in greater detail below.

- (h) On March 8, 2002, Quadrus became a Member of the MFDA such that Quadrus and its Approved Persons became subject to the By-laws, Rules and Policies of the MFDA from that date forward.
- (i) WA became a client of Quadrus in June 2004. The Respondent was the mutual fund salesperson responsible for servicing WA's accounts.
- (j) From 1997 to 2007, the Respondent led WA to believe that his money had been moved to various ventures after his initial investment in the bed and breakfast at the Sun Peaks Resort. Throughout this time, WA requested that the Respondent provide him with documentation concerning his investment but never received any from the Respondent.

Conflict of Interest and Complaint Handling

- (k) WA also continually asked the Respondent when he was going to receive payments on account of his principal, as well as interest or gains that his purported investments had generated. In response, the Respondent provided WA with various cheques from time to time. In total, from April 27, 2005 to October 1, 2007, the Respondent paid \$29,000 from his own resources to WA.
- (l) On October 22, 2007, WA submitted a written complaint to the British Columbia Securities Commission ("BCSC") about his investment in the Project and the Respondent's promise that the investment would double his money. Shortly thereafter, the Respondent offered to settle the complaint by making a payment to WA in the amount of \$10,000. WA declined the Respondent's offer. On October 29, 2007, WA's wife, MA advised the BCSC that the Respondent had offered them \$10,000 (in addition to the \$29,000 that the Respondent had already paid to WA) to settle the outstanding promise of the return on WA's investment.
- (m) On October 30, 2007, the BCSC forwarded WA's complaint to the MFDA for review. On November 8, 2007, the MFDA notified Quadrus of the complaint and requested

Quadrus's assistance in reviewing the complaint. On November 12, 2007, Quadrus commenced an investigation of the Respondent. Quadrus requested that the Respondent provide information relating to WA's complaint by November 15, 2007. The Respondent provided a written response on November 16, 2007, which confirmed his involvement with WA.

(n) Quadrus's internal investigation concluded that, between April 27, 2005 and November 16, 2007, the Respondent had not disclosed or reported to Quadrus that the Respondent:

- (i) had been receiving oral and written complaints from WA with respect to WA's investment in the Project;
- (ii) had been making payments to WA on account of his investment in the Project; and
- (iii) had offered to pay WA \$10,000 to settle WA's complaint concerning the performance of his investment in the Project.

(o) By engaging in the conduct described above, the Respondent engaged in personal financial dealings with client WA by paying him \$29,000 purportedly on account of investments made by client WA, thereby creating a conflict or potential conflict of interest between the Respondent and client WA which the Respondent failed to address by the exercise of responsible business judgment influenced only by the best interests of client WA, contrary to MFDA Rules 2.1.4 and 2.1.1.

(p) By engaging in the conduct described above, the Respondent failed to report a client complaint to the Member and offered to pay client WA monies to settle a client complaint without the prior written consent of the Member, contrary to MFDA Rule 1.2.5(b), MFDA Policy No. 3, MFDA Policy No. 6 and MFDA Rule 2.1.1.

Undisclosed Outside Business Activities

(q) By December 4, 2007, Quadrus's investigation had determined that the Respondent

was involved in a total of 12 outside business activities, none of which had been disclosed by the Respondent to Quadrus or approved by Quadrus. The 12 outside business activities are listed in the table below.¹ The full nature and extent of the Respondent's involvement in each of the 12 outside business activities is unknown.

#	Corporation Name	Incorporation Date	Business Activity	Respondent's Position
1.	Raygil Holdings Ltd.	May 16, 1977 (Alberta)	Building and construction	None listed in Alberta Corporate Registry records
2.	463548 B.C. Ltd. (Pension No. 1 Investments Limited Partnership)	January 28, 1994 (B.C.)	Bed and breakfast project	Transfer Agent
3.	Eagle Court Pinnacle Lodges Ltd.	October 23, 1996 (B.C.)	Bed and breakfast project	Transfer Agent
4.	687619 B.C. Ltd.	February 19, 2004 (B.C.)	Development and management of various recreational and business properties	Director, President and Shareholder
5.	0713887 B.C. Ltd.	January 17, 2005 (B.C.)	Management of a utility company, which consists of a sewage plant and water facility	Director
6.	Newgen Building Systems Inc.	July 24, 2005 (B.C.)	Manufactures galvanized steel building components for commercial and residential buildings	Director
7.	Shuswap Lake Resort Inc.	August 23, 2005 (B.C.)	40 townhomes and 66 lot recreational vehicle site project	Director
8.	0751015 B.C. Ltd.	March 10, 2006 (B.C.)	Operation of a recreational vehicle park	Director
9.	Bricon Developments Inc.	July 14, 2006 (B.C.)	Building and land development	Director
10.	0776338 B.C. Ltd.	December 5, 2006 (B.C.)	Property and development; 40	Director and Shareholder

¹ The first three outside business activities (#1, #2 & #3) listed in the table above went into foreclosure in 1999 when the Respondent was registered as a mutual fund salesperson with Performa Financial Group Limited and before he became subject to the jurisdiction of the MFDA.

#	Corporation Name	Incorporation Date	Business Activity	Respondent's Position
			condominiums built and purchased by lawyers for rental	
11.	Shuswap Lifestyle Developments Inc.	March 27, 2007 (B.C.)	Recreational vehicle site with operation of a retail general goods store; rental property; and a holiday campground	Director
12.	SLR Management Inc.	June 20, 2007 (B.C.)	Management of related SLR Group companies	Director and Executive Vice President
13.	Bricon Developments (BC) Inc. (Trail Blazer RV Resort)	June 21, 2007 (B.C.)	Development of a recreational vehicle site	Director and Shareholder
14.	Bricon Project Development 2007 Inc.	July 25, 2007 (B.C.)	Recreational and commercial property development	Director
15.	SLR Storage Inc.	July 27, 2007 (B.C.)	Recreational vehicle and boat storage facility	Director

(r) By engaging in the conduct described above, the Respondent had and continued in 12 gainful occupations between April 2, 2004 and December 4, 2007 which were not disclosed to or approved by Quadrus.

Securities Related Business Outside the Member

(s) Quadrus's investigation determined that five clients, acting on the recommendation of the Respondent, had invested a total of \$105,000 in two of the Respondent's undisclosed outside business activities (#4 and #7 in the table above), as set out below:

Client	Amount	Investment	Date Issued
WR	\$10,000	2 Class A voting shares of 687619 B.C. Ltd.	December 1, 2004
BS	\$10,000	3 Class A voting	December 1, 2004

		shares of 687619 B.C. Ltd.	
MB	\$50,000	1 Preferred share of Shuswap Lake Resort Inc.	February 13, 2006
MG & WG	\$35,000	1 Preferred share of Shuswap Lake Resort Inc.	June 6, 2006
Total	\$105,000		

- (t) To date, one client has received a payment of \$500 on account of her investment. The remaining four clients have not been paid any amounts on account of their investments.
- (u) Between December 1, 2004 and June 6, 2006, the Respondent engaged in securities related business that was not carried on for the account of the Member and through the facilities of the Member by selling or facilitating the sale of \$105,000 of shares in two companies, 687619 B.C. Ltd. and Shuswap Lake Resort Inc., in which the Respondent had an interest, contrary to MFDA Rules 1.1.1 and 2.1.1.

Conflicts of Interest

- (v) By engaging in the conduct described in paragraphs 24 to 26, the Respondent failed to ensure that conflicts or potential conflicts of interest between his interests as the President, Director and shareholder of 687619 B.C. Ltd. and as a director of Shuswap Lake Resort Inc. (see paragraph 22) and those of the five clients were addressed by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to MFDA Rules 2.1.4 and 2.1.1.

Failing to Comply with the Member's Policies & Procedures

(i) Misrepresentation to enable Respondent to become an Approved Person

- (w) On March 29, 2004, the Respondent was required by Quadrus to complete its Compliance Checklist prior to commencing as an Approved Person of Quadrus. The Compliance Checklist posed a series of questions, including:

“Do you engage in other non-life insurance or mutual fund business activities?
For example: P&C insurance, tax preparation, real estate agent, etc;”

- (x) The Respondent falsely responded “No” to the question by failing to disclose, among other things, his ongoing investment activities with WA, as described in greater detail above, and his other outside business activities including, at a minimum, company #4 referred to in the table at paragraph 22 above.

- (y) On the basis of the Respondent’s false response to the question on the Compliance Checklist, Quadrus allowed the Respondent to commence acting as a mutual fund salesperson effective April 2, 2004 and, in doing so, did not make him subject to any terms and conditions and/or place him under heightened supervision.

(ii) Failure to comply with policies & procedures while an Approved Person

- (z) On March 29, 2004, the Respondent also signed an Exclusive Sales Agreement with Quadrus. The section entitled “Exclusivity” prohibited an Approved Person from selling or trading in any product or service that had not been approved by Quadrus and provided as follows:

I will, with respect to the Products, represent the Dealer exclusively.

In this Agreement, products and services not approved by the Dealer are referred to as “Prohibited Products or Services”. I will not trade or provide Prohibited Products or Services. For greater certainty, products and services related to my insurance sales activities including without limitation, segregated funds activities, are deemed to be approved by the Dealer.

Subject to the Dealer Policies and in compliance with Applicable Laws, I will not engage in any other business or employment or in any financial planning activities, other than such business or employment and financial planning activities as are related to my insurance sales activities, without the prior approval of the Dealer. Any such prior approval may include conditions relating to the

method by which I carry on such activities, and I agree to abide by such conditions.

- (aa) On March 29, 2004, the Respondent also received and read, and agreed to abide by Quadrus's Code of Business Conduct. The section entitled "Conflict of Interest" prohibited an Approved Person from, among other things, engaging in any personal financial dealings with clients and provided as follows:

You must refrain from entering into any situation that places, or appears to place you, in a conflict of interest with your clients. You must immediately disclose any potential conflict of interest to your client. If you are unsure if a conflict exists, discuss the matter with your Branch Manager or Quadrus Compliance.

The section entitled "Responsibility to Quadrus" provided as follows:

Registration

You must not engage in any professional conduct that is dishonest, fraudulent or deceitful, or which reflects adversely on your professional competence.

....

Representing Self (Titles, etc.)

...

While sponsored by Quadrus, you are permitted to trade only in products and services offered or approved by Quadrus; you may not conduct mutual fund business with any other dealer. If you are uncertain whether a product or service is one offered by Quadrus, you should review it with your Branch Manager or Quadrus Compliance before dealing with a client

- (bb) As described in greater detail in paragraphs 22 to 27 above, the Respondent failed to comply with the terms of Quadrus's Exclusive Sales Agreement and Code of Business Conduct after he commenced acting as a mutual fund salesperson for

Quadrus on April 2, 2004, in that the Respondent:

- (i) engaged in new or additional occupations after April 2, 2004 that he did not disclose to Quadrus;
 - (ii) engaged in securities related business that was not carried on for the account of Quadrus and through the facilities of Quadrus by selling or facilitating the sale of \$105,000 of shares in two companies in which the Respondent had an interest to five clients between December 1, 2004 and June 6, 2006;
 - (iii) failed to ensure that conflicts or potential conflicts of interest between his interests in the two companies and those of the five clients were identified to Quadrus and the clients and addressed by the exercise of responsible business judgment influenced only by the best interests of the clients;
- (cc) By engaging in the conduct described above, the Respondent prevented Quadrus from identifying and addressing, through reasonable supervisory measures, regulatory risks that adversely affected, or may have adversely affected, the interests of clients and other individuals.
- (dd) The Respondent failed to comply with Quadrus's policies and procedures by:
- (i) providing a false response to Quadrus's Compliance Checklist prior to commencing employment as an Approved Person on April 2, 2004; and
 - (ii) thereafter engaging in the conduct described in paragraphs 22 to 27 in contravention of Quadrus's Exclusive Sales Agreement and Code of Business Conduct.

contrary to MFDA Rules 1.1.2 and 2.5.1 and MFDA Rule 2.1.1.

4. Based upon the above agreed statements of fact, the following contraventions were agreed upon:

Contraventions

- (a) The Respondent admits that between April 27, 2005 and October 1, 2007, the Respondent engaged in personal financial dealings with client WA by paying him \$29,000 purportedly on account of investments made by client WA, thereby creating

- a conflict or potential conflict of interest between the Respondent and client WA which the Respondent failed to address by the exercise of responsible business judgment influenced only by the best interests of client WA, contrary to MFDA Rules 2.1.4 and 2.1.1.
- (b) The Respondent admits that between April 27, 2005 and November 16, 2007, the Respondent failed to report to the Member complaints from client WA with respect to client WA's investment in an outside business activity and offered to pay client WA \$10,000 to settle a client complaint without the prior written consent of the Member, contrary to MFDA Rule 1.2.5(b), MFDA Policy No. 3, MFDA Policy No. 6 and MFDA Rule 2.1.1.
- (c) The Respondent admits that between April 2, 2004 and December 4, 2007, the Respondent had and continued in 12 gainful occupations that were not disclosed to and approved by the Member, contrary to MFDA Rules 1.2.1(d) and 2.1.1.
- (d) The Respondent admits that from December 1, 2004 to June 6, 2006, the Respondent engaged in securities related business that was not carried on for the account of the Member and through the facilities of the Member by selling or facilitating the sale of \$105,000 of shares of two companies in which the Respondent had an interest to five clients, contrary to MFDA Rules 1.1.1 and 2.1.1.
- (e) The Respondent admits that by engaging in the conduct described in paragraphs 24 to 26, the Respondent failed to ensure that a conflict or potential conflict of interest between his interests and those of the five clients were addressed by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to MFDA Rules 2.1.4 and 2.1.1.
- (f) The Respondent admits that between April 2, 2004 and December 4, 2007, the Respondent failed to comply with the Member's policies and procedures by:
- (i) providing a false response to the Member's Compliance Checklist on March 29, 2004 to enable him to commence acting as an Approved Person effective April 2, 2004; and
 - (ii) thereafter engaging in the conduct described in paragraphs 22 to 27 in contravention of the Member's policies and procedures
- contrary to MFDA Rules 1.1.2 and 2.5.1 and MFDA Rule 2.1.1.

5. The terms of the settlement are as follows:
 - (a) The Respondent shall be permanently prohibited from conducting securities related business in any capacity while in the employ of, or in association with, any MFDA Member, pursuant to section 24.1.1(e) of By-law No. 1.
 - (b) The Respondent shall pay a fine of \$25,000, pursuant to section 24.1.1(b) of By-law No. 1, payable as follows:
 - (i) \$5,000 payable upon the acceptance of this Settlement Agreement; and
 - (ii) \$20,000 payable on or before November 25, 2010.
 - (c) the Respondent shall pay \$2,500 in respect of the costs of the investigation and settlement of this matter upon the acceptance of this Settlement Agreement, pursuant to section 24.2 of By-law No. 1.
 - (d) The Respondent will attend in person, on the date set for the Settlement Hearing.

6. Panel was treated to a detailed analysis of many of the decided cases on the subject, the guidelines provided and the principles to be adopted.

7. One of the decisions referred to was that of Arnold Tonnie (File No. 200503), particularly at pages 22 and 23, where the following appears:

“Several previous decisions of industry tribunals, including of course MFDA tribunals, have found that the following factors should be taken into account in determining the appropriate sanction to impose:

 - a) the protection of the investing public;
 - b) the integrity of the securities market;
 - c) specific and general deterrents;
 - d) the protection of the governing body’s membership; and
 - e) the protection of the integrity of the governing body’s enforcement process.”

8. The tribunal has taken the factors into consideration, as well as the fact that most of the monies have been repaid to WA mentioned above, and Mr. Ruemper has cooperated with the investigating process and entered into these settlement proceedings. Accordingly, in all of the

circumstances, and in applying the principles cited above, we are unanimously of the view that the Settlement Agreement should be approved as presented.

DATED this 10th day of June, 2010.

“Thomas Braidwood”

The Hon. Thomas R. Braidwood, Q.C.,
Chair

“Elaine Davison”

Elaine Davison,
Industry Representative

“Cecilia Wong”

Cecilia Wong,
Industry Representative