

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

THE BY-LAWS OF THE
INVESTMENT DEALERS ASSOCIATION OF CANADA

AND

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

AND SHELLEY BLANCHARD

NOTICE OF HEARING

TAKE NOTICE that pursuant to Part 10 of Dealer Member Rule 20 of the Investment Industry Regulatory Organization Canada (“IIROC”), and to Section 1.9 of Schedule C.1 to Transition Rule No.1, a hearing will be held before a hearing panel of IIROC (the “Hearing Panel”) on a date to be fixed by the Hearing Panel on Tuesday, February 26th, 2013, at the IIROC office located at 121 King Street West, Suite 2000, Toronto, Ontario, at 10:00 a.m., or as soon thereafter as the hearing can be heard.

TAKE FURTHER NOTICE that pursuant to Rule 6.2 of the Dealer Member Rules of Practice and Procedure, that the hearing shall be designated on the:

The Standard Track

The Complex Track

TAKE FURTHER NOTICE that on June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada (“IDA”) and Market Regulation Services Inc. With respect to conduct of IDA’s registrants occurring before June 1, 2008, the IDA has retained IIROC to provide services necessary for the IDA to carry out its regulatory functions, pursuant to the *Administrative and Regulatory Services Agreement* between the IDA and IIROC.

THE PURPOSE OF THE HEARING is to determine whether Shelley Blanchard (“Blanchard”) has committed the following contravention that is alleged by Staff of IIROC, on behalf of the IDA (Staff):

In or about July 2008, Shelley Blanchard, in furtherance of a misappropriation, transferred funds out of a client’s account, without the client’s knowledge or consent, contrary to IIROC Dealer Member Rule 29.1.

PARTICULARS

TAKE FURTHER NOTICE that the following is a summary of the facts alleged and intended to be relied upon by Staff at the hearing:

Overview:

1. Blanchard was both a bank employee with CIBC and a Registered Representative with CIBC Investor Services Inc. (“CIBC ISI”) in Midland, Ontario. Over the course of a number of years, Blanchard misappropriated funds from various CIBC client bank accounts. This conduct went on for many years and involved approximately \$100,000. In some cases she transferred funds to her aunt’s bank account, ultimately for her own use.
2. In July 2008 Blanchard transferred \$35,000 from a client’s investment account at CIBC ISI to the same client’s bank account. Blanchard then transferred \$30,000 of those funds to another client’s bank account. These transfers were done to cover up an earlier misappropriation by Blanchard.
3. Both clients were elderly, neither client knew each other and neither client was aware of these transfers.

Background:

4. At all material times Blanchard was registered with IIROC as a Registered Representative (“RR”) and employed with CIBC ISI as a financial advisor. Blanchard was also dually employed by CIBC bank and had her office in a CIBC bank branch in Midland, Ontario.
5. Blanchard became an RR with CIBC ISI in May 2006. At all material times she had both bank clients and investment clients. A lot of her clients were seniors.

6. Blanchard has not been a registrant with IIROC since February 2011, when she was terminated by CIBC following allegations of theft.

Original Misappropriation from bank clients:

7. Blanchard admitted to IIROC staff that over several years she misappropriated funds from various CIBC bank clients for her own use. In some instances, she transferred these funds to her aunt's account at another bank, over which Blanchard had power of attorney. Blanchard then withdrew these funds from her aunt's account, or from the CIBC bank accounts, for her own use. The total amount misappropriated was approximately \$100,000. About half of this amount was withdrawn after 2006.

Client PAP:

8. PAP had been a bank client of Blanchard for some years. She was born in 1926. In February 1999, PAP opened a CIBC ISI account with Blanchard as her RR.
9. On or about June 26, 2008, the following securities were sold out of PAP's brokerage account: 154 shares of Canadian Pacific Railway Ltd (proceeds of \$10,381.66), 166 shares of Encana Corp (proceeds of \$15,374.02) and 113 shares of Fording Canadian Coil Trust Units (proceeds of \$10,554.96).

Transfers:

10. On July 9, 2008, Blanchard transferred \$35,000 of the above proceeds out of PAP's brokerage account to a bank account held by PAP at CIBC in Midland, Ontario.
11. When interviewed by Staff, Blanchard admitted the above transfer. Around the same time she then transferred \$30,000 from PAP's bank account to her client PH's bank account, leaving \$5,000 of those funds in PAP's bank account.

Client PH:

12. PH had also been a bank client at CIBC for some years. At one point in time he also had a brokerage account with Blanchard at CIBC ISI. PH is now in his 80's. PAP and PH did not know each other. Neither PAP nor PH were aware of these transfers by Blanchard.

13. The reason for the transfers was to cover money that Blanchard had earlier misappropriated from client PH's bank account to Blanchard's aunt's account, ultimately for Blanchard's own use.

Other:

14. Blanchard has no previous disciplinary history with the IDA or IIROC.

GENERAL PROCEDURAL MATTERS

TAKE FURTHER NOTICE that the hearing and related proceedings shall be subject to IIROC's Rules of Practice and Procedure.

TAKE FURTHER NOTICE that pursuant to Rule 13.1, the Respondent is entitled to attend and be heard, be represented by counsel or an agent, call, examine and cross-examine witnesses, and make submissions to the Hearing Panel at the hearing.

TAKE FURTHER NOTICE that on June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada (IDA) and Market Regulation Services Inc. Pursuant to the *Administrative and Regulatory Services Agreement* between the IDA and IIROC, effective June 1, 2008, the IDA has retained IIROC to provide services for the IDA to carry out its regulatory functions with respect to the conduct of IDA Members and registrants occurring before June 1, 2008.

RESPONSE TO NOTICE OF HEARING

TAKE FURTHER NOTICE that the Respondent must serve upon IIROC Staff a Response to the Notice of Hearing in accordance with Rule 7 within twenty (20) days (for a Standard Track disciplinary proceeding) or within thirty (30) days (for a Complex Track disciplinary proceeding) from the effective date of service of the Notice of Hearing.

FAILURE TO RESPOND OR ATTEND HEARING

TAKE FURTHER NOTICE that if the Respondent fails to serve a Response or attend the hearing, the Hearing Panel may, pursuant to Rules 7.2 and 13.5:

- (a) proceed with the hearing as set out in the Notice of Hearing, without further notice to the Respondent;
- (b) accept as proven the facts and contraventions alleged by IIROC Staff in the Notice of Hearing; and
- (c) order penalties and costs against the Respondent pursuant to IDA By-law 20.33, 20.34 and 20.49.

PENALTIES & COSTS

TAKE FURTHER NOTICE that if the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by IIROC Staff in the Notice of Hearing, the Hearing Panel may, pursuant to IDA By-law 20.33 and IDA By-law 20.34, impose any one or more of the following penalties:

Where the Respondent is/was an Approved Person:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$1,000,000 per contravention; and
 - (ii) an amount equal to three times the profit made or loss avoided by such Approved Person by reason of the contravention.
- (c) suspension of approval for any period of time and upon any conditions or terms;
- (d) terms and conditions of continued approval;
- (e) prohibition of approval in any capacity for any period of time;
- (f) termination of the rights and privileges of approval;
- (g) revocation of approval;
- (h) a permanent bar from approval with the IIROC; or
- (i) any other fit remedy or penalty.

Where the Respondent is/was a Member firm:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000 per contravention; and
 - (ii) an amount equal to three times the profit made or loss avoided by the Member by reason of the contravention;
- (c) suspension of the rights and privileges of the Member (and such suspension may include a direction to the Member to cease dealing with the public) for any period of time and upon any conditions or terms;
- (d) terms and conditions of continued Membership;
- (e) termination of the rights and privileges of Membership;
- (f) expulsion of the Member from membership in the IIROC; or
- (g) any other fit remedy or penalty.

TAKE FURTHER NOTICE that if the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by IIROC Staff in the Notice of Hearing, the Hearing Panel may pursuant to IDA By-law 20.49 assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances.

DATED at Toronto, Ontario this 25th day of January, 2013.

Jeff Kehoe
Vice President, Enforcement
Investment Industry Regulatory Organization of Canada
121 King Street West, Suite 2000
Toronto, ON M5H 3T9