Unofficial English Translation

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

THE BY-LAWS OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

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

AND

MARC DALPÉ

AND

JEAN-MARC MILETTE

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The Enforcement Staff of the Investment Industry Regulatory Organization of Canada (Staff) and Mr. Marc Dalpé and Mr. Jean-Marc Milette consent and agree to the settlement of these matters by way of this settlement agreement (the Settlement Agreement);

2. The Enforcement Department of the Investment Industry Regulatory Organization of Canada (IIROC) has conducted an investigation (the Investigation) into the conduct of the Respondents.

3. 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, which came into force June 1, 2008, the IDA has

retained IIROC to provide the necessary services for the IDA to carry out its regulatory functions;

4. The Respondents consent and agree to be subject to IIROC's jurisdiction;

5. The Investigation disclosed matters for which the Respondents may be disciplined by a Hearing Panel appointed pursuant to Part C of Schedule C.1 to Transition Rule No. 1 of IIROC (the Hearing Panel).

II. JOINT SETTLEMENT RECOMMENDATION

6. Staff and the Respondents jointly recommend that the Hearing Panel accept the Settlement Agreement;

7. The Respondents admit to the following contraventions of IIROC Rules and Guidance:

   a) Between November 2007 and October 2011, Respondent Dalpé held authorizations to trade and exercised discretionary authority over the accounts of certain of his clients, without such trades being recorded in the books of his employer, contrary to IIROC Rule 1300.4 and 1300.5 (formerly IDA By-Law 1300.4 and 1300.5, prior to June 1, 2008);

   b) Between November 2007 and October 2011, Respondent Milette permitted his associate, Respondent Dalpé, to hold authorizations to trade and exercise discretionary authority over the accounts of certain of their common clients, without such trades being recorded in the books of his employer, contrary to IIROC Rule 1300.4 and 1300.5 (formerly IDA By-Law 1300.4 and 1300.5, prior to June 1, 2008);

   c) Between May 2003 and October 2011, Respondent Dalpé received a consideration paid through financial institutions other than his employer in regard to securities-related activities that he performed for the latter, contrary to IIROC Rule 18.15 (IDA By-Law 18.15 prior to June 1, 2008);

   d) Between May 2003 and October 2011, Respondent Milette received a consideration paid through a financial institution other than his employer in regard to securities-related activities that he performed for the latter, contrary to IIROC Rule 18.15 (IDA By-Law 18.15 prior to June 1, 2008).

8. Staff and the Respondents have accepted the following terms of settlement:

   Payment by each Respondent, of a financial penalty in the following amounts:

- A fine of $15,000 each;
- From Mr. Dalpé, disgorgement of $75,000 representing the profits realized by reason of the violations;
- From Mr. Milette, disgorgement of $52,468 representing the profits realized by reason of the violations.

9. Staff and the Respondents also agree to costs of $10,000.

III. STATEMENT OF FACTS

(i) Acknowledgment

10. Staff and the Respondents agree with the facts set out in this section and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Factual Background

SUMMARY OF THE RESPONDENTS' ALLEGED MISCONDUCT

11. Respondent Dalpé, from 2003 to 2011, while in the employ of Desjardins Securities Inc. (DS), acted as investment advisor to at most nine (9) of his clients, in respect of accounts which the latter held with offshore financial institutions, without such transactions being recorded in the books of DS;

12. As of November 2007, Respondent Dalpé was managing the foreign accounts of just six (6) clients by means of authorizations to trade; subsequently, that number was gradually reduced to four (4) clients by October 2011;

13. From May 2003, Respondent Dalpé received a consideration pursuant to his activities on behalf of his clients who held foreign accounts, which consideration was paid to him without being recorded in the books of DS;

14. Respondent Dalpé had a commission-sharing agreement with Respondent Milette for their common clients, as is usual between associated advisors;

15. From May 2003, Respondent Milette received part of the consideration generated pursuant to his associate Dalpé's activities on behalf of their common clients who held foreign accounts, which compensation was paid to him without being recorded in the books of DS;

THE RESPONDENTS

16. Respondent Dalpé was employed with Lévesque Beaubien Geoffrion (now National Bank Financial Inc. (NBF)) from 1981 to May 2003; before becoming a representative with unrestricted practice in 1990, Mr. Dalpé worked in corporate financing;

17. As for Respondent Milette, he worked in the IT field until 1998 when he became a representative with unrestricted practice on the Brault Sénécal Dalpé Team at NBF;

18. In 1998, the Respondents formed the Dalpé Milette Team at NBF. On this team, Mr. Dalpé mainly looked after the client accounts, while Mr. Milette mainly handled business development;

19. In May 2003, the Respondents left NBF to join DS. They remained there until their dismissal in November 2011;

20. Since December 2011, the Respondents have been in the employ of Richardson GMP Limited, a dealer member;

21. At all relevant times, the Respondents were in the employ of DS;

22. Respondent Dalpé acted in the capacity of portfolio manager;

23. On June 1, 2008, the Respondents became registrants of IIROC.

BACKGROUND OF IIROC INVESTIGATION

24. On November 3, 2011, DS dismissed the Respondents for cause, notably for non-disclosure of outside business activities involving foreign accounts held by some of their clients;

25. On November 8, 2011, IIROC initiated an investigation of the matter.

THE RESPONDENTS' OFF-BOOK ACTIVITIES

26. It appears that since 1998, Respondent Dalpé had engaged in investment advisor activities for a limited number of clients with offshore investment accounts, who would ask him for advice;

27. These activities were generally conducted in the same manner as for the accounts held by said clients here in Québec, with the difference that the consideration was paid directly to the Respondents;

28. The investigation revealed that between May 2003 and October 2011, Respondent Dalpé handled the management of at most nine (9) client accounts with foreign financial institutions;

29. The client accounts, which numbered nine (9) in May 2003, were reduced to six (6) in 2007, and then to four (4) until October 2011;

30. The clients connected with these nine (9) client accounts during the period from May 2003 to October 2011 were all clients of DS, and the portfolio held outside the country was essentially identical to the portfolio held through their DS accounts;

31. In the context of managing these foreign accounts, Respondent Dalpé could, depending on the case, make recommendations to the nine (9) clients or exercise discretionary authority over their accounts since he had an authorization to trade for each of them;

32. When the Respondents transferred to DS in May 2003, it appears that Mr. Dalpé allegedly shared certain information verbally with the president of DS at the time, **"A"**, concerning the existence of foreign accounts for which he was acting as investment advisor;

33. The aim of this disclosure was to be able to transfer the foreign accounts to an offshore institution affiliated with DS;

34. In the course of the discussions that allegedly took place between Respondent Dalpé and **"A"** on this subject, the number of clients and the value of the assets held in foreign accounts were discussed, but not the clients' names; it seems that **"A"** did not request that the consideration be shared;

35. It appears that **"A"** did not object to the Respondents continuing to look after these off-book foreign accounts in the same manner as before as long as they did not promote and/or develop them to the detriment of DS, the latter having no affiliation with any offshore financial institution at the time;

36. The Respondents understood from this conversation that they could engage in such activities for their clients;

37. In November 2007, the offshore financial institution with which most of the clients had an account was acquired by a new institution and authorizations to trade were signed by the clients in favour of Respondent Dalpé;

38. From May 2003 to October 2011, Respondent Dalpé's activities for his clients holding foreign accounts generated management fees for the Respondents, and

these were paid in accordance with the terms and conditions of the investment programs offered by the offshore institutions where the client accounts were held;

39. From May 2003 to October 2011, Respondent Dalpé received seventy-five thousand dollars ($75,000) in management fees pursuant to his activities on behalf of his clients holding foreign accounts;

40. From May 2003 to October 2011, Respondent Milette received fifty-two thousand four hundred and sixty-eight dollars ($52,468) in management fees pursuant to the activities of his associate Dalpé on behalf of their clients who held foreign accounts;

41. The Respondents' clients have not filed any complaints respecting the Respondents' conduct.

IV. TERMS OF SETTLEMENT

42. In accordance with Dealer Member Rule 20.35 to 20.40 inclusively, and Rule 15 of the Dealer Member Rules of Practice and Procedure;

43. The Settlement Agreement is subject to acceptance by the Hearing Panel;

44. The Settlement Agreement shall become effective and binding upon the Respondents and Staff as of the date of its acceptance by the Hearing Panel;

45. The Settlement Agreement will be presented to the Hearing Panel at a hearing ("the Settlement Hearing") for approval. Following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement.

46. If the Hearing Panel accepts the Settlement Agreement, the Respondents waive their right, under IIROC rules and any applicable legislation, to a disciplinary hearing, review or appeal.

47. If the Settlement Agreement is rejected by the Hearing Panel, it shall lapse and become null and void. Staff and the Respondents may enter into another settlement agreement; or Staff may proceed to a disciplinary hearing in relation to the matters disclosed in the Investigation;

48. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel;

49. 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;

50. Unless otherwise stated, any monetary penalties imposed upon the Respondents are payable immediately on the effective date of the Settlement Agreement.

AGREED TO by the Respondents at Montréal, Québec, this 22nd day of February, 2013:

	(s) MARC DALPÉ
WITNESS	**RESPONDENT MARC DALPÉ**
	(s) JEAN-MARC MILETTE
	RESPONDENT JEAN-MARC MILETTE

AGREED TO by Staff at Montréal, Québec, this 22nd day of February, 2013:

(s) LINDA VACHET	(s) MARTIN HOVINGTON
WITNESS	**MARTIN HOVINGTON, Enforcement Counsel, for Staff of IIROC**