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
PIRKKO ANN RAMSAY

NOTICE OF HEARING

TAKE NOTICE that pursuant to Part 10 of Dealer Member Rule 20 and Section 1.9 of Schedule C.1 to Transition Rule No.1 of the Investment Industry Regulatory Organization Canada ("IIROC"), a set date hearing will be held before an IIROC hearing panel (the "Hearing Panel") on March 25, 2013, at the offices of IIROC in the Ontario Room, 121 King St. West, Toronto, Ontario, M5H 3T9, at 10:00 a.m., or as soon thereafter as this matter can be heard.

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

| \boxtimes | Standard Track |
|-------------|----------------|
| | 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. 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.

THE PURPOSE OF THE HEARING is to determine whether Pirkko Ann Ramsay ("Ramsay" or the "Respondent") has committed the following contraventions alleged by staff of IIROC ("Staff"):

- a) In June 2009 and March 2010, the Respondent engaged in personal financial dealings by borrowing funds from two clients, AA and AB, without the knowledge, consent or authorization of her employer Member firm, and in so doing acted contrary to Dealer Member Rule 29.1;
- b) In 2009 and 2010, the Respondent misappropriated funds from AA and AB, and in so doing, acted contrary to Dealer Member Rule 29.1; and
- c) In April 2012, the Respondent, while a former registrant of IIROC, failed to cooperate with an IIROC investigation by refusing to give information about her conduct, contrary to Dealer Member Rule 19.5.

PARTICULARS

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

A. Overview

- 1. The Respondent took advantage of the relative unsophistication of her clients, AA and AB, and abused the trust they placed in her as their Financial Advisor.
- 2. Over a period of time the Respondent used her unique position as a Financial Advisor to misappropriate over \$70,000 from AA and AB's accounts. She also borrowed money from these clients (which she failed to repay) without telling her employer firm, preying on their fears that she would cease to be their financial advisor if they did not loan her the money. Ultimately, when compelled to attend an IIROC interview, she failed to respond and attend.

B. Registration History

- 3. At all material times, the Respondent was registered as a Registered Representative (RR) and employed with CIBC Investor Services Inc. (CIBC-ISI) as a Financial Advisor (FA).
- 4. As a Financial Advisor, the Respondent was dually employed by CIBC –ISI and CIBC Bank. Her office was located in a CIBC bank branch. Her direct supervisor was located in another branch in a different location.
- 5. FAs at CIBC-ISI provide both brokerage and banking services to their clients. As a result, the Respondent had access to her clients' brokerage accounts *and* bank accounts.

6. The Respondent's full registration history is as follows:

| RBC Dominion Securities | Nov 2000 – Dec 2005 | RR |
|-------------------------|----------------------------|----|
| CIBC Investor Services | Aug 2008 – October 6, 2011 | RR |

7. The misconduct alleged herein took place while the Respondent was employed with CIBC-ISI.

C. Background

- 8. AA & AB are relatively unsophisticated investors, with very limited investment knowledge. The entire source of their investments were lottery winnings. The Respondent became their RR shortly after their win in 2002.
- 9. From 2002 to 2005, AA & AB were clients of the Respondent at her previous firm.
- 10. In 2008, the Respondent joined CIBC-ISI and in 2009, AA & AB opened accounts with the Respondent at CIBC-ISI. The accounts opened included brokerage and bank accounts.
- 11. Throughout the time that the Respondent was AA & AB's Financial Advisor, the Respondent:
 - a) Sold securities in AA and AB's brokerage accounts;
 - b) Executed transfers from AA and AB's brokerage accounts to their bank accounts;
 - c) Assisted AA and AB in obtaining a line of credit; and
 - d) Completed withdrawal slips ("debit memos") so AA & AB could withdraw money for cash, or to pay various bills, from their bank accounts.

D. The Misappropriation of Funds

- 12. At times, the Respondent, with or without AA & AB's knowledge, sold investments in their brokerage accounts and moved funds from their respective brokerage accounts to one of their bank accounts.
- 13. As explained above, the Respondent was able to this because as AA and AB's Financial Advisor, she had access to both their brokerage and bank accounts.

- 14. The majority of the money that went into AA & AB's bank accounts were transfers from their CIBC-ISI brokerage accounts. There was little cash deposited directly into the bank accounts. Therefore, the money ultimately misappropriated by the Respondent, originated from the brokerage accounts.
- 15. When either AA and/or AB wished to make a withdrawal from their bank account, to pay a bill or for some other reason, there were a variety of ways in which that would be done:
 - a) The Respondent prepared a debit memo for the clients to sign in order to obtain a bank draft or money order;
 - b) The Respondent prepared a debit memo for the clients to sign in order to withdraw cash from their accounts;
 - c) AA or AB made a withdrawal from an Automated Teller Machine ("ATM"); and/or
 - d) AA or AB wrote a cheque.
- 16. During the material time, at least twice a month, when either or both of the clients went to the branch to meet with the Respondent in order to make a withdrawal, the Respondent had the clients sign more than one debit memo in blank.
- 17. One of those debit memos would be used by the Respondent for the clients' legitimate withdrawal of funds. However, the Respondent would use the other blank debit memo(s) to misappropriate money from AA & AB.
- 18. Where a debit memo was used to misappropriate the funds, the Respondent would fill out the debit memo and use it to order a bank draft or money order payable to one of three payees her daughter's boyfriend SC, or a friend, AC or AC's business.
- 19. SC would then cash the bank draft or money order and give the money to the Respondent. AC would use the bank draft or money order to offset a debt owing to him by the Respondent.
- 20. At other times, the Respondent had AA & AB provide her with blank, signed cheques, which again, she used to misappropriate money from them. The Respondent took the blank, signed cheques and made them payable to SC or AC.
- 21. When the cheques were made out to SC, he cashed the cheques and gave the money to the Respondent, or signed the cheque over to the Respondent.
- 22. When the cheques were made out to AC, he would use it to offset a debt owing to him from the Respondent.
- 23. At least the following amounts were misappropriated by the Respondent in the manner described above:

| Date | Amount | Method used to Misappropriate |
|--------------|----------|-------------------------------|
| Jul 14, 2009 | \$25,000 | Bank draft payable to SC; |
| Aug 7, 2009 | \$10,000 | Cheque payable to AC |
| Aug 10, 2009 | \$10,000 | Bank draft payable to AC |
| Aug 7, 2009 | \$10,000 | Cheque payable to SC |
| Aug 28, 2009 | \$9,000 | Bank draft payable to AC |

24. The Respondent similarly misappropriated additional funds totaling at least \$12,000 - \$15,000.

Financial Dealings With Clients

The First Loan

- 25. In June 2009, the Respondent hand-delivered a letter to AA & AB while they were visiting the bank branch where the Respondent's office was located. The letter requested a loan from AA & AB for \$50,000 (the "First Loan").
- 26. The Respondent advised AA & AB that she was renovating her home, and upon the completion of those renovations, she would sell it and use the proceeds to pay back the loan. If the house was not sold right away, the Respondent advised that she would receive bonuses from her employer in September and December, and would use those bonuses to repay the loan.
- 27. AA & AB ultimately agreed to lend the Respondent the funds, and the Respondent drew up a promissory note which was signed by her and AA & AB. The promissory note contained the following terms:
 - a. Loan of \$50,000;
 - b. Interest rate of 12%;
 - c. Lump sum payments to be made when the house at [redacted address] is sold;
 - d. September 13th on bonus repayment; and
 - e. December 20th on bonus repayment.
- 28. The Respondent requested that AA & AB provide her with a bank draft made out to her daughter's boyfriend, SC. AA & AB followed her directions and provided her with a bank draft, payable to SC, in the amount of \$50,000 on or about June 12, 2009.

- 29. The bank draft was drawn on AA & AB's account at another bank.
- 30. The Respondent did not advise her employer of the First Loan.
- 31. The Respondent did not repay any interest or principal on the First Loan. The loan remains outstanding.

The Second Loan

- 32. Despite not having repaid any amount on the First Loan, the Respondent approached AA & AB again in November 2009 to ask for a second loan.
- 33. Again, the Respondent made the request in writing. In a letter delivered to AA & AB by the Respondent she asked the following:
 - a. For A&B to go to CitiFinancial and take out a loan for \$15,000 over the longest period possible.
 - b. The Respondent would make the payments on that loan.
 - c. If A&B wanted to borrow more than \$15,000, any additional amount could go into A&B's bank account as partial repayment from the Respondent.
- 34. Although AA & AB did not agree to a loan from CitiFinancial, in March 2010 they did lend the Respondent an additional \$20,000.
- 35. AA & AB provided the Respondent with a bank draft, again payable to SC, in the amount of \$20,000 on or about March 4, 2010.
- 36. The terms of the Second Loan were not clear.
- 37. AA & AB agreed to loan the Respondent the monies because the Respondent told them she would have to leave CIBC if she didn't receive the loan. AA & AB were concerned and afraid that they would have no one to help them with their investments if that happened.
- 38. The Respondent did not advise her employer of the Second Loan.
- 39. No amounts have been repaid by the Respondent on the Second Loan.

Failure to Cooperate with IIROC Staff

40. On November 2, 2011, IIROC Staff sent the Respondent a letter advising her that an investigation had been commenced with respect to her conduct at CIBC-ISI. The letter was sent via registered mail, and Staff received confirmation that it was successfully delivered and signed for on November 7, 2011.

- 41. On February 29, 2012, IIROC Staff again wrote to the Respondent, requesting an interview. The letter included a phone number and email address for the Respondent to use to contact the IIROC investigator and schedule the interview. The letter was again sent via registered mail, and Staff received confirmation that it was successfully delivered and signed for on March 5, 2012.
- 42. Staff received no response to its letter dated February 29, 2012. Staff again wrote to the Respondent on March 28, 2012, compelling her to attend an interview in Thunder Bay, Ontario on April 12, 2012. The letter was sent via registered mail, successfully delivered and signed for on March 29, 2012.
- 43. Staff have received no response to any of its letters from the Respondent, despite confirmation that the letters were received by her.
- 44. The Respondent's failure to cooperate and attend for an interview has impacted Staff's ability to ascertain the exact scope and quantum of the transactions which were not authorized by AA & AB.

GENERAL PROCEDURAL MATTERS

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

TAKE FURTHER NOTICE that pursuant to Rule 13.1 of the Rules of Practice and Procedure, 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.

RESPONSE TO NOTICE OF HEARING

TAKE FURTHER NOTICE that the Respondent must serve upon Staff a Response to the Notice of Hearing in accordance with Rule 7 of the Rules of Practice and Procedure 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 of the Rules of Practice and Procedure:

- (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 Staff in the Notice of Hearing; and
- (c) order penalties and costs against the Respondent pursuant to IIROC Dealer Member Rules 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 Staff in the Notice of Hearing, the Hearing Panel may, pursuant to IIROC Dealer Member Rules 20.33 and 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 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 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 the Staff in the Notice of Hearing, the Hearing Panel may pursuant to IIROC Dealer Member Rules 20.49 assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances.

DATED at Toronto, this 15th day of January, 2013.

JEFFREY KEHOE
VICE-PRESIDENT, ENFORCEMENT
INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA
121 KING STREET WEST, SUITE 1600
TORONTO, ONTARIO M5H 3T9