Unofficial English Translation

Re Béland

In the matter of:

The By-Laws of the Investment Dealers Association of Canada

and

The Rules of the Investment Industry Regulatory Organization of Canada

and

Alain Béland

[2010] IIROC No. 53

Investment Industry Regulatory Organization of Canada
for and in the name of the Investment Dealers Association of Canada
Hearing Panel (Québec District Council)

Hearing: November 16, 2010
Decision: November 18, 2010
(16 pars.)

Hearing Panel:
Claude Bisson, Chair, Denis Marc Gagnon, Guy L. Jolicoeur

Appearances:
Me Diane Bouchard, for IIROC
Me Philippe Frère, for Alain Béland

Decision on Settlement Agreement

¶ 1 On September 15, 2010, the parties signed a Settlement Agreement pursuant to By-laws 20.35 to 20.40, and Rule 14 of IIROC's Rules of Practice and Procedure.

¶ 2 In this agreement, the Respondent admits to the following contraventions of IIROC Rules and Guidance, and IDA By-Laws, Regulations or Policies:

(a) For the period from May to November 2004, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly with respect to Standard C of the Conduct and Practices Handbook, relating to professionalism, and failed in his duty to protect the public, contrary to IDA By-Law 29.1, when he facilitated the off-book purchase of shares in public company A by client B, who in fact was his spouse, directly from insiders, without prior disclosure of the proposed trade to the firm;

(b) From 2004 to 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly under Standard A of the Conduct and Practices Handbook, relating to the Duty of Care (know-your-client rule, reasonable diligence), when he failed to ensure that investment recommendations regarding three of his clients, D, E and F, were consistent with their investment goals and their risk tolerance, contrary to By-law 29.1 and Regulations 1300.1(a) and 1300.1(p) of the IDA;

(c) From 2004 to 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, contrary to IDA By-law 29.1, in connection with the suitability and relevance of investment recommendations regarding the securities of A and G, considering that the Respondent, his spouse, and the representatives on the team, H and I, held these securities in personal accounts, had purchased the same through the Respondent, who had a privileged connection with the insiders of these companies who were also clients of the team, and that, at December 31, 2005, 248 of the team's accounts held approximately 18.5% of the outstanding shares in A and 128 accounts held approximately 1.5% of the outstanding shares in G;

(d) In April 2005, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly under Standard C of the Conduct and Practices Handbook, relating to professionalism, contrary to IDA By-law 29.1, when he took part in a private placement in public company J for his own account, without prior disclosure of the proposed trade to the firm;

(e) In April 2005, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed in his duty to protect the public, contrary to IDA By-Law 29.2 *(sic)*, when he orchestrated the participation of representative I in an over-the-counter investment in the security of J, without prior disclosure of the proposed trade to the firm;

(f) In April 2005, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed in his duty to protect the public, when he falsely represented that the assignment of shares in J in favour of representative I had been completed free of charge, when in fact it was effected for a consideration in the amount of $6,000, contrary to IDA By-law 29.1;

(g) For the period from November 2005 to January 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed in his duty to protect the public, contrary to IDA By-law 29.1, when he allowed client E to make an over-the-counter investment in the security of A through its president, K, by way of an exchange in her RRSP account, without prior disclosure of the proposed trade to the firm;

(h) For the period from January to March 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest, contrary to IDA By-Law 29.1, when he failed in his duty to protect the public in connection with numerous trades in the securities of M and N by client C, who happened to be a consultant for these companies, when he knew or should have known that the trades were or could be an indication of market manipulation;

(i) In April 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly under Standards B and C of the Conduct and Practices Handbook, relating to professionalism and under the rules set forth in the Handbook relative to the examination of complaints from the three clients O, contrary to IDA By-Law 29.1, when with H, another representative on his team, he arranged for the settlement of the complaints of these three clients by compensating them, all of which without the knowledge of the firm;

(j) On or about April 10, 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly under Standard C of the Conduct and Practices Handbook, relating to professionalism, contrary to IDA By-Law 29.1, when he purchased securities of public company G directly from a client, being a management company owned by P, an insider of public company G, without prior disclosure of the proposed trade to the firm;

(k) In July 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly with respect to Standard C of the Conduct and Practices Handbook, relating to professionalism, contrary to IDA By-Law 29.1, when he took part in a private placement in public company Q for his own account, without prior disclosure of the proposed trade to the firm.

¶ 3 In the agreement before us, the Respondent accepts the following penalties:

[TRANSLATION]

(a) a permanent ban on approval in any capacity with an IIROC member firm;

(b) payment of costs to IIROC, in the amount of $15,000.

¶ 4 In or around January 1998, and again on December 18, 2003, the Respondent was registered with the Investment Dealers Association of Canada (IDA) as a representative of a full service dealer.

¶ 5 Until 2006, the Respondent was employed as a representative with unrestricted practice with Desjardins Securities, an IIROC member firm, which kept him in its employ until April 15, 2006, when he was dismissed.

¶ 6 On June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada 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.

¶ 7 IIROC Rule 29.1 stipulates that participants in the securities industry, including the representative (which is what the Respondent was at the material time), shall "observe high standards of ethics and conduct in the transaction of their business," which the Respondent did not do.

¶ 8 The alleged misconduct, to which Respondent has admitted, negatively affects the investors' perception of the integrity of the profession, and undermines their confidence in the industry's processes and in the role of the financial representative. Any penalty imposed by a hearing panel must have as its aim the protection of the investor, by helping to prevent a repeat of the blameworthy conduct.

¶ 9 We have examined the jurisprudence that was submitted to us, as well as the guidelines which, though not imperative, may serve as a guide.

¶ 10 Taking all of these elements into account, the Hearing Panel considers reasonable the penalties that are the subject of the Settlement Agreement, which is appended to this decision.

¶ 11 Indeed, the role of a Hearing Panel is not to substitute its own judgment for the settlement proposed by the parties, but solely to verify its reasonableness.

¶ 12 It should be noted that no fine has been imposed on the Respondent. On this score, it was represented to us at the hearing that, in the circumstances, a permanent ban on approval was sufficient penalty to ensure both the protection of the public and a deterrent effect.

¶ 13 In closing, we note that the matter before us is comprised of both mitigating and aggravating factors which, taken together, are such that the penalty is reasonable.

¶ 14 In this regard, the following mitigating factors are worth mentioning:

(i) The Respondent was suspended and then dismissed by his employer, which caused him financial losses, including the loss of commissions;

(ii) The Respondent cooperated fully as soon as the investigation process was launched;

(iii) He has no history of relevant misconduct;

(iv) While there is no justification for his conduct, it can be explained by his lack of experience as a representative with unrestricted practice;

(v) The Respondent compensated some of the clients and there is no evidence that he benefited financially from the alleged misconduct.

¶ 15 On the other hand, there are the following aggravating factors:

(i) The Respondent displayed an unacceptable level of negligence in the conduct of his business;

(ii) The Respondent relied on the members of his team to manage his clients' affairs, whereas he should have responded with more diligence and professionalism;

(iii) In the case of Mrs. E, the Respondent planned and executed a scheme without revealing its ins and outs to his client;

(iv) When compensating clients, the Respondent planned and executed a scheme to conceal the compensation from his employer;

(v) The Respondent had privileged connections with insiders and used them when transacting business, creating at the very least the appearance of a conflict of interest;

(vi) Relative to representative I, the Respondent made a false statement to his employer, in writing, erroneously affirming that there had been no monetary consideration.

¶ 16 **FOR THESE REASONS:**

The Hearing Panel accepts the Settlement Agreement reproduced below and gives effect to it on the date of this Decision.

Montréal, on this 18th day of November, 2010

Denis Marc Gagnon

Guy L. Jolicoeur

Claude Bisson, Chair

*** * * * * SETTLEMENT AGREEMENT* * * * ***

I. BACKGROUND

1. The Enforcement Department Staff (“Staff”) of the Investment Industry Regulatory Organization of Canada ("IIROC") has conducted an investigation (the Investigation) into the conduct of Alain Béland (the Respondent).

2. The Investigation was commenced by Enforcement Department Staff (IDA Staff) of the Investment Dealers Association of Canada (IDA) prior to May 30, 2008. On June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada 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.

3. The Investigation disclosed matters for which the Respondent 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

4. The Respondent consents to be subject to the jurisdiction of IIROC.

5. Staff and the Respondent consent and agree to the settlement of these matters by way of this settlement agreement ("the Settlement Agreement") in accordance with IIROC By-laws 20.35 to 20.40 inclusive, and Rule 15 of the IIROC Dealer Members' Rules of Practice and Procedure.

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

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

8. 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.

9. If the Hearing Panel accepts the Settlement Agreement, the Respondent waives his right, under IIROC Rules and any applicable legislation, to a disciplinary hearing, review or appeal.

10. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement; or Staff may proceed to a disciplinary hearing in relation to the matters disclosed in the Investigation.

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

12. 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.

13. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.

III. Statement of Facts

(i) Acknowledgment

14. Staff and the Respondent 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

15. IDA staff conducted an investigation into the conduct of the Respondent;

16. This investigation was initiated on or about November 10, 2006, following receipt of a ComSet event report, regarding actions taken while the Respondent was a representative with unrestricted practice at Desjardins Securities Inc. (DS):

17. In December 2004, the Respondent began working as a team with representative I;

18. Starting in June 2005, a third representative, H, joined the team;

19. At the material time, the Respondent was the head or leader of the team in question;

20. In June 2005, the commission sharing among these three representatives was as follows:

- 36% the Respondent;
- 36% representative H;
- 28% representative I.

21. On January 13, 2006, representative I resigned from DS;

22. Following this resignation, the commissions were split equally between the representatives;

23. On August 11, 2006, DS reported the Comset event concerning the commencement of an internal investigation against the Respondent;

24. The object of the investigation was the settlement of losses in a client's account without the knowledge of the firm;

25. DS commenced the internal investigation on August 4, 2006;

26. DS dismissed the Respondent on August 15, 2006;

27. Following termination of the Respondent's employment, the firm had to settle four (4) complaints from clients who had purchased stock in G and A;

28. The Respondent began his career in the securities industry, and worked in the following "categories and/or positions":

FROM	TO	FIRM	CATEGORY
December 18 2003	August 15 2006	Desjardins Securities	Unrestricted Representative
August 2000	September 2003	Caisse d'économie Groupe BCE	Mutual Funds Representative
September 1998	August 2000	Caisse d'économie Desjardins Hydro-Québec	Mutual Funds Representative
January 1998	Septembre 1998	Desjardins Securities	Unrestricted Representative

Client compensation agreement not disclosed to firm

29. In April 2005, the clients O purchased stock in G on the recommendations of representative I;

30. Since the security did not yield the anticipated results, the clients communicated with representative I a few times in order to liquidate the stock at $1.25, at which point the latter convinced them to wait;

31. The clients O met with the Respondent and representative H in December 2005;

32. Keep in mind that representative I left the team on January 13, 2006;

33. It was then agreed to wait until April 2006 to make a decision on the security and, in the event of a loss,

the team, consisting of the Respondent and representative H, promised to compensate them;

34. The stock was finally liquidated, generating a loss of $47,786;

35. Waiting had increased the clients' loss;

36. The Respondent and representative H agreed to absorb the clients' loss;

37. Representative H therefore issued a cheque for $47,770 and gave it to L;

38. The Respondent, who knew L's branch manager, made arrangements to have the O's individual accounts with DS credited, which was done on April 26, 2006;

39. The Respondent reimbursed representative H for his portion of the settlement, by depositing 60,000 shares in G in his DS account on April 12, 2006, and by giving him a cheque in the amount of $14,428, which included reimbursement of certain of the team's administrative expenses, in the amount of $2000;

40. In May 2006, representative H sold 58,500 shares in G for a net amount of $15,338.84;

41. The Respondent admitted to the IIROC investigator that he compensated the O's directly, without informing the firm's compliance department;

42. As for representative H, in the interview with the IIROC investigator, she admitted not having informed her compliance department of this compensation;

Participation in trades without prior disclosure of the proposed trades to the firm (G and A)

Stock in G

43. On April 10, 2006, the Respondent acquired a quantity of 188,000 shares in G, from R, P's management company, for a total consideration of $49,720;

44. P was the CEO of G, and his management account R was opened with the team;

45. These 188,000 shares were deposited in the following accounts at the firm:

- 68,000 shares in the Respondent's account, on June 16, 2006;
- 50,000 shares in the account of B, the Respondent's spouse, on June 21, 2006;
- 10,000 shares in the account of S, the team's administrative assistant, on March 31, 2006;
- 60,000 shares in the account of representative H, on April 12, 2006.

46. In his interview with the IIROC investigator, the Respondent confirmed that he had not informed the branch manager, T, before effecting the proposed trade in the security of G;

47. The Respondent did not provide proof of the payment made to G for the acquisition of the shares in question, as the IIROC investigator required;

48. Concomitantly, on March 29, 2006, representative H acquired 40,000 shares in G, by means of a cheque for $10,000 payable to the Respondent, which shares were deposited in his account at the firm on March 31, 2006;

49. When interviewed by the IIROC investigator, representative H admitted that she had not informed the firm prior to effecting the proposed trade, which was confirmed by the branch manager, T;

Stock in A

50. K, U and V were insiders of A at the material time and had accounts with the team;

51. On August 19, 2005, representative H purchased 13,000 shares in A from K, by means of a cheque in the amount of $4,000, drawn on her bank account.

52. On November 28, 2005, the shares were deposited in her account at the firm;

53. Representative H admitted in the interview with the IIROC investigator, that she had not informed the firm prior to effecting the trade, which was confirmed by the branch manager, T, in his interview;

54. Moreover, on August 15, 2005, representative I acquired 13,000 shares in K, by means of a cheque in the amount of $4,000, which shares were deposited in his account at the firm on November 28, 2005;

55. The branch manager, T, confirmed in his interview with the IIROC investigator that representative I had not informed him prior to effecting the trade;

56. The Respondent's spouse, B, also acquired stock in A in May and November 2004, from insiders U and K, notably:

- 90,000 shares acquired from U on November 22, 2004, by means of a cheque in the amount of $45,000, deposited in her account on December 29, 2004;
- 90,000 shares acquired from K on November 22, 2004, by means of a cheque in the amount of $50,000, deposited into her account on December 29, 2004;
- 238,000 shares deposited in her account on May 3, 2004; the investigator was unable to obtain any details regarding the acquisition.

Private placements without prior disclosure of the proposed trades (Q and J) to the firm

57. On or about June 7, 2006, the Respondent purchased 107,000 shares in Q as part of a private placement;

58. The Respondent issued Q a cheque in the amount of $218,750 to cover this purchase, which included 68,000 shares for representative H;

59. On June 8, 2006, representative H wrote the Respondent a cheque in the amount of $85,225 as reimbursement for the 68,000 shares;

60. On June 22, 2006, representative H received the 68,000 shares in her account;

61. Representative H confirmed her participation in this private placement to the IIROC investigator during her interview;

62. A volume of 107,000 shares in Q was received in the Respondent's account on July 26, 2006;

63. On or about November 17, 2004, the Respondent purchased 100,000 shares in J as part of a private placement;

64. On or about April 20, 2005, the Respondent received these 100,000 shares in J in his account;

65. According to the Respondent's statement, he took part in this private placement in the security of J and 50,000 of the shares were in fact purchased for his team member, representative I;

66. In a form entitled *"Aliénation à titre gratuit"* [Alienation by gratuitous title], signed on April 25, 2004 (in fact, the year was 2005) at the request of DS, in which the Respondent is identified as the assignor, and representative I as the assignee, the Respondent made the following declaration:

> [TRANSLATION]
>
> *I, the undersigned, being the Assignor, hereby give to the Assignee, the securities mentioned above and I declare under oath that, in consideration of this gift, I have not, nor shall I receive anything from the Assignee, in any form whatsoever. (…)*

67. In the interview with the IIROC investigator, representative I admitted having acquired the shares in J by onerous title, and he mentioned having written a cheque in the amount of $6,000 to the Respondent;

68. According to the testimony of the branch manager, T, obtained by the IIROC investigator, none of the

team members informed him beforehand of the private placements in question;

Suspicious transaction or transaction detrimental to the public interest

69. An exchange of $38,000, in return for 100,000 shares in A, was effected in the RRSP account of the Respondent's client E;

70. On January 6, 2006, a cheque in the amount of $38,000, issued on the client's account and payable to her, was remitted to the Respondent;

71. The following series of trades was effected through the Respondent in connection with the exchange of assets in client E's RRSP account:

- on January 5, 2006, the amount of $37,197.68 is received in her RRSP account;
- on January 5, 2006, an exchange of assets is effected between her RRSP account and her cash account, involving 100,000 shares in A for an amount of $38,000, the stock certificate having been registered on November 1, 2005;
- on January 6, 2006, 100,000 shares in A are received in the cash account;
- on January 9, 2006, a cheque in the amount of $38,000 is issued on the cash account payable to the client and remitted to the Respondent for delivery to the president, K;

72. Client E did not own the 100,000 shares in A prior to the exchange of assets effected in her account;

73. In his interview with the IIROC investigator, the Respondent admitted that the 100,000 shares deposited in the client's account were from K, an insider of A, who allegedly gave him the stock certificate for deposit to the client's account;

74. This trade was not disclosed to the firm;

Client C, and signs of market manipulation in connection with the securities of N and M

75. Client C's account was opened by the Respondent in March 2004;

76. Client C was an insider, notably of J, between November 20, 2004 and June 28, 2005;

77. Since June 29, 2005, he had been employed with N as a public relations and media strategy consultant;

78. He had also been a consultant for company M since February 11, 2003;

79. Between January 11, 2006 and March 24, 2006, client C effected numerous trades in security N through the Respondent without any apparent economic justification on the same day, and this occurred several times over a period of three (3) months;

80. The IIROC investigator noticed the same phenomenon with respect to trades in the security of M between January 23 and February 1, 2006;

81. As observed by the IIROC investigator, the activity in these securities could represent over 60% of the day's trading volume;

82. Keep in mind that the Respondent's client C was acting as a consultant for these companies;

83. In his interview with the IIROC investigator, the Respondent himself termed the activity in C's account as market manipulation;

84. In this regard, the firm's compliance department had also detected these dubious transactions and had begun informing the Respondent of such trades in January 2006;

Unsuitability of investments in the accounts of three clients, D, E and F

Client D (complaint filed with the firm on December 7, 2006, which paid compensation in an amount of $12,707)

85. In his complaint to the firm, the client alleges that the representatives, as a consulting team, failed to respect his investment goals in regard to recommendations to purchase securities such as A and G;

86. The new client application form dated May 11, 2004 is signed by the Respondent as the advisor;

87. The risk tolerance was assessed at 20% low, 50% moderate and 30% speculative;

88. The IIROC investigator conducted an analysis of the investments, which shows that between August 2004 and November 2006, the speculative portion of the investment portfolio fluctuated between 39.25% and 68.24%;

89. The examinations of the Respondent, representative H and representative I conducted by the IIROC investigator revealed that the Respondent knew this client, that it was the Respondent who opened the account and referred the file to representative I, and that it was the latter who made the investment recommendations;

90. Representative I and representative H acknowledged in the interview with the IIROC investigator, that the recommendations that were made did not agree with the client file and did not respect the client's investment goals;

91. The Respondent stated in the interview with the IIROC investigator, that he was not the one managing this client's account;

Cliente E (Complaint filed with the firm on January 22, 2007, which paid compensation in the amount of $8,145)

92. In her complaint, client E alleges having transferred her pension fund from her former employer in late 2005, namely approximately $38,000, to her RRSP account with the Respondent at DS;

93. In a meeting with the Respondent, the latter allegedly explained that he had an opportunity in oil, a booming industry, and that he could obtain a little non-RRSP money that she could use at any time;

94. According to this client, there was never any mention that these were shares, and certainly not that they were high risk;

95. Respondent opened the client's account on or around December 29, 2004;

96. The risk tolerance recorded for the account was assessed at 10% low, 60% moderate, and 30% speculative;

97. As at January 31, 2006, after substitution of the 100,000 shares in A, the speculative portion of the complainant's RRSP account went to 35%;

98. In his interview with the IIROC investigator, the Respondent admitted that following the substitution he should have changed his client's risk tolerance;

Client F (complaint filed with the firm on October 24, 2006, on grounds of unsuitability, and acceptance of a settlement in the amount of $7,000. The complaint, and all representations relating thereto, were made through an agent, W)

99. Client F is currently 68 years old;

100. Her agent, W, is 71 years old;

101. The complaint was addressed to T, in the capacity of branch manager, with a true copy to representative H;

102. According to the new account application form signed by this client on January 26, 2004, the risk tolerance was assessed at 20% low, 50% moderate, and 30% speculative;

103. The Respondent was the account representative;

104. On January 26, 2004, client F signed a special power of attorney in favour of W;

105. She authorized him to act as her agent and to give buy and sell instructions relative to any account opened in her name at DS;

106. According to the IIROC investigator's interview with W, the agent stated that he knew nothing about investing and that he relied on the Respondent's recommendations;

107. He stated that neither he nor the client had been consulted prior to the trades being recorded in the account;

108. According to an update dated April 7, 2004, and which was not signed by either the client or her agent, the risk tolerance had been amended to 100% speculative;

109. In the space for the client's signature, there is the handwritten mention "by phone";

110. The document is signed by the Respondent and by the branch manager;

111. The agent W stated to the IIROC investigator, that he never received a copy of the update of April 7, 2004, and that he never consented to it;

112. The investigator reviewed the client's account as at September 30, 2006, which revealed that 100% of the account was invested in three (3) speculative securities, including M and A;

113. Client F accepted the settlement agreement proposed by the firm, namely $7,000;

114. W allegedly contacted the Respondent subsequently in order to demand the rest of the losses, namely an amount of $10,000;

115. W stated having received a call from U (an officer of A), who allegedly deposited a $9,000 bank draft in the client's account;

116. The IIROC investigator was unable to obtain a copy of the draft in question;

Merit and relevance of the recommendations regarding the securities of A and G

117. As at December 31, 2005, two hundred and forty-eight (248) of the accounts of team Respondent-H-I held approximately 18.5% of the outstanding shares in A and 128 accounts held approximately 1.5% of the outstanding shares in G;

118. The securities of A and G were not tracked by the firm's internal analysts and the team's recommendations regarding these stocks were not based on relevant and verifiable information;

119. Purchases of these stocks were often made through the Respondent, who had privileged connections with the insiders of these companies, notably with P and K;

120. These insiders were also clients of Respondent’s team, H and I;

121. The Respondent and the other representatives on the team, namely H and I, held shares in A or G in their personal accounts;

122. The stock purchases were made directly from an insider, or through the intermediary or on the recommendation of the Respondent, or directly from the Respondent in the case of representatives H and I;

123. These purchases, notably by the representatives of the team, were made without prior disclosure of the proposed trades to the firm, and either over the counter, as part of private placements, or without all of

the trades being disclosed to the firm and recorded in its books;

124. In such a context, the recommendations made to the team's clients regarding the shares in A and G are evidence of conduct unbecoming and detrimental to the public interest and of failure to observe high ethical standards and standards of professional conduct on the part of the Respondent and the other representatives on the team, I and H;

IV. CONTRAVENTIONS

125. The Respondent admits to the following contraventions of IIROC Rules and Guidance, and IDA By-Laws, Regulations or Policies:

1. For the period from May to November 2004, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly with respect to Standard C of the Conduct and Practices Handbook, relating to professionalism, and failed in his duty to protect the public, contrary to IDA By-Law 29.1, when he facilitated the off-book purchase of shares in public company A by client B, who in fact was his spouse, directly from insiders, without prior disclosure of the proposed trade to the firm;

2. From 2004 to 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly under Standard A of the Conduct and Practices Handbook, relating to the Duty of Care (know-your-client rule, reasonable diligence), when he failed to ensure that investment recommendations regarding three of his clients, D, E and F, were consistent with their investment goals and their risk tolerance, contrary to By-law 29.1 and Regulation 1300.1(a) and 1300.1(p) of the IDA;

3. From 2004 to 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, contrary to IDA By-law 29.1, in connection with the suitability and relevance of investment recommendations regarding the securities of A and G, considering that the Respondent, his spouse, and the representatives on the team, H and I, held these securities in personal accounts, had purchased the same through the Respondent, who had a privileged connection with the insiders of these companies who were also clients of the team, and that, at December 31, 2005, two hundred and forty-eight (248) of the team's accounts held approximately 18.5% of the outstanding shares in A and 128 accounts held approximately 1.5% of the outstanding shares in G;

4. In April 2005, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly under Standard C of the Conduct and Practices Handbook, relating to professionalism, contrary to IDA By-law 29.1, when he took part in a private placement in public company J for his own account, without prior disclosure of the proposed trade to the firm;

5. In April 2005, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed in his duty to protect the public, contrary to By-Law 29.1 of the IDA, when he orchestrated the participation of representative I in an over-the-counter investment in the security of J, without prior disclosure of the proposed trade to the firm;

6. In April 2005, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed in his duty to protect the public, when he falsely represented that the assignment of shares in J in favour of representative I had been completed free of charge, when in fact it was effected for a consideration in the amount of $6,000, contrary to IDA By-law 29.1;

7. For the period from November 2005 to January 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed in his duty to protect the public,

contrary to IDA By-law 29.1, when he allowed client E to make an over-the-counter investment in the security of A through its president, K, by way of an exchange in her RRSP account, without prior disclosure of the proposed trade to the firm;

8. For the period from January to March 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest, contrary to IDA By-Law 29.1, when he failed in his duty to protect the public in connection with numerous trades in the securities of M and N by client C, who happened to be a consultant for these companies, when he knew or should have known that the trades were or could be an indication of market manipulation;

9. In April 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly under Standards B and C of the Conduct and Practices Handbook, relating to professionalism and under the rules set forth in the Handbook relative to the examination of complaints from the three clients O, contrary to IDA By-Law 29.1, when with H, another representative on his team, he arranged for the settlement of the complaints of these three clients by compensating them, all of which without the knowledge of the firm;

10. On or about April 10, 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly under Standard C of the Conduct and Practices Handbook, relating to professionalism, contrary to IDA By-Law 29.1, when he purchased securities of public company G directly from a client, being a management company owned by P, an insider of public company G, without prior disclosure of the proposed trade to the firm;

11. In July 2006, the Respondent engaged in conduct unbecoming and detrimental to the public interest and failed to observe high standards of ethics and conduct, particularly with respect to Standard C of the Conduct and Practices Handbook, relating to professionalism, contrary to IDA By-Law 29.1, when he took part in a private placement in public company Q for his own account, without prior disclosure of the proposed trade to the firm.

V. Terms of Settlement

12. The Respondent agrees to the following terms of settlement:

    (a) a permanent ban on approval in any capacity with an IIROC member firm.

    (b) payment of costs to IIROC, in the amount of $15,000.

13. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately on the effective date of the Settlement Agreement.

14. Unless otherwise stated, suspensions, prohibitions, expulsions, restrictions and other conditions or terms of the Settlement Agreement shall commence on the effective date of the Settlement Agreement.

AGREED TO by the Respondent at the City of Montreal, in the Province of Quebec, this_____ day of _____ 2010.

« Witness »
Witness

« Alain Béland »
Alain Béland
Respondent

AGREED TO by Staff at the City of Montreal, in the Province of Quebec, this 15th day of September 2010.

« Witness »

Witness

« Diane Bouchard »

Diane Bouchard

Enforcement Counsel, on behalf of Staff of the Investment Industry Regulatory Organization of Canada