

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

**THE RULES OF THE INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA**

AND

NORMAN ROBERT TODD ARMSTRONG

NOTICE OF HEARING

TAKE NOTICE that pursuant to Part 10 of Dealer Member Rule 20 of the Investment Industry Regulatory Organization of Canada (“IIROC”), a hearing will be held before a hearing panel of IIROC (“Hearing Panel”) on September 29, 2015 at the IIROC British Columbia Room, 121 King St. West, Suite 2000 in Toronto, ON 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 IIROC’s Dealer Member Rules of Practice and Procedure (“Rules of Practice and Procedure”), that the hearing shall be designated on the:

- The Standard Track
- The Complex Track

THE PURPOSE OF THE HEARING is to determine whether Norman Robert Todd Armstrong (the “Respondent”) has committed the following contraventions that are alleged by the Staff of IIROC (“Staff”):

Count 1

Between December 2009 and February 2013, the Respondent engaged in unauthorized trading in the account of SM, contrary to Dealer Member Rule 29.1; and

Count 2

Commencing on or about May 20, 2014, the Respondent refused and failed to attend and give information in respect of an investigation being conducted by Staff, contrary to IIROC 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 engaged in pattern of trading in which he did not seek or obtain his client's approval for any of the trades carried out in the client's account. He then failed to attend and give information regarding his conduct, thereby undermining the ability of IIROC to conduct a full and complete investigation.

B. Registration History

2. Between January 2001 and May 2008, the Respondent was registered as a Registered Representative with a Brooklin, Ontario branch of Edward Jones, a Dealer Member of IIROC.

3. Between May 2008 and June 2013, the Respondent was registered as a Registered Representative with a Whitby, Ontario branch of Raymond James Ltd., a Dealer Member of IIROC.
4. From June 2013 until May 2014, the Respondent was registered as a Registered Representative with a Whitby, Ontario branch of Mackie Research Capital Corporation, a Dealer Member of IIROC.
5. The Respondent has not been registered in the securities industry since May 2014.

C. Client SM

6. SM became a client of the Respondent in or around 2004. SM was introduced to the Respondent through the Respondent's assistant, whom he had known for several years.
7. In or around June 2008, when the Respondent moved to Raymond James, SM moved his account as well.
8. At the time, SM completed a New Account Application Form ("NAAF") which indicated the following:
 - (i) SM was 44 years old and was employed as a technician with an electronic services company.
 - (ii) SM had an annual income of approximately \$42,000 and net liquid assets of \$50,000.
 - (iii) His investment knowledge was recorded as "Good" and he had "Moderate" experience investing in GICs, bonds, income trusts, common shares and mutual funds.
 - (iv) His risk tolerance level was recorded as 100% "Medium" and his investment objectives were recorded as 100% "Growth".

9. At no time had SM given the Respondent authority to enter trades on a discretionary or unauthorized basis and the accounts had not been designated nor approved as discretionary accounts. Nonetheless, between December 2009 and February 2013, the Respondent made at least 18 trades in SM's account which were not authorized or consented to by SM prior to the trades being entered.
10. The Respondent earned commissions on these unauthorized transactions totaling over \$3,000.00. In some instances, SM incurred a deferred sales charge ("DSC") fee on the sale of units of mutual funds. The total DSC fees incurred by SM were over \$400.00.
11. The Respondent did not discuss these trades with SM prior to the trades being entered, nor did he advise SM that, in some cases, DSC fees would be incurred as a result of the sale of units of mutual funds.

D. Failure to attend and give information

12. By letter dated December 7, 2013, IIROC advised the Respondent that an investigation had begun into his conduct while he was employed with Raymond James Ltd. The letter advised that the investigation would include, but not be limited to, allegations of discretionary trading, unauthorized trading, excessive trading, unsuitable investment recommendations and unauthorized personal financial dealings. On December 24, 2013, the Respondent accepted his copy of this letter which had been sent by registered mail and by email dated January 14, 2014, he acknowledged receipt of the letter.
13. The investigation examined concerns raised in relation to SM's account, as outlined above, as well as concerns identified with respect to other clients of the Respondent.
14. On February 13, 2014, the Respondent spoke to an IIROC Investigator by telephone and agreed to attend an interview with IIROC Staff on either April 28 or April 29, 2014. The Respondent further advised that he had not yet retained counsel to represent him.

15. By letter dated March 4, 2014, the IIROC Investigator advised the Respondent that, further to their telephone conversation on February 13, 2013, the Respondent was required, pursuant to s. 19.5 of the Dealer Member Rules, to attend at the offices of IIROC on April 29, 2014 to provide a statement and answer questions. The Respondent was also advised that he may wish to have independent legal counsel represent his interests. The Respondent was further advised that his failure to attend may result in disciplinary proceedings being initiated against him.
16. On April 29, 2014, the Respondent attended the IIROC offices for the purposes of providing a statement and answering questions of IIROC. Despite having been advised of his right to legal counsel, the Respondent did not attend with counsel at the interview.
17. Part way through the interview on April 29, 2014, the Respondent advised that he wished to seek legal advice. Accordingly, although not yet complete, the interview was stopped to allow the Respondent an opportunity to consult with legal counsel.
18. The following day, on April 30, 2014, the Respondent resigned from Mackie Research.
19. By letter dated May 8, 2014, the IIROC Investigator confirmed that the April 29, 2014 interview had been stopped to allow the Respondent an opportunity to consult with legal counsel. The IIROC Investigator reminded the Respondent that despite his resignation from Mackie Research, the Respondent remained subject to the jurisdiction of IIROC for a period of 5 years after the termination of his registration.
20. The IIROC Investigator also asked the Respondent to provide certain documents which were discussed during the April 29, 2014 interview which the Respondent had advised were in his possession, including, among other things:
 - (i) the Respondent's original notes of conversations with clients,
 - (ii) the Respondent's telephone records,
 - (iii) the Respondent's calendar entries; and

- (iv) copies of emails between himself and his former assistant concerning her departure from Mackie Research.

21. These documents were to be provided on or before May 23, 2014.
22. The letter dated May 8, 2014 was sent to the Respondent by registered mail and by email. The registered letter was not collected by the Respondent and was returned to IIROC on or around June 2, 2014 marked "unclaimed".
23. By email dated May 20, 2014, the Respondent provided a print out of a posting from his former assistant's Facebook page which references her departure from Mackie Research. Other than this, the Respondent did not provide any of the other documents requested in the May 8, 2014 request letter.
24. By letter and email dated May 20, 2014, the IIROC Investigator again confirmed that the April 29, 2014 interview had been stopped to allow the Respondent an opportunity to consult with legal counsel. The IIROC Investigator asked that the Respondent advise if he had consulted with or retained legal counsel and to provide him with a list of dates that he and his counsel would be available to complete the interview.
25. This email was collected by the Respondent on May 20, 2014, but the Respondent did not reply.
26. By email dated June 2, 2014, the IIROC Investigator advised the Respondent that he had only provided one of the documents listed in the May 8, 2014 letter. The IIROC Investigator requested a timeframe for when the remaining documents would be received. This email was collected by the Respondent on June 2, 2014, but the Respondent did not reply.
27. By email dated June 3, 2014, the IIROC Investigator again confirmed that the April 29, 2014 interview had not been completed in order to allow the Respondent an opportunity to consult

with legal counsel. The IIROC Investigator again asked that the Respondent provide him with a list of dates that he and his counsel would be available to complete the interview.

28. By letter dated June 18, 2014, the IIROC Investigator advised the Respondent that, pursuant to IIROC Dealer Member Rule 19.5, the Respondent was being compelled to attend at the offices of IIROC on August 19, 2014 to provide a statement and answer questions of IIROC. The Respondent was again advised that he may wish to have independent legal counsel represent his interests.
29. An attempt was made to personally serve this letter on the Respondent, but despite multiple attempts, service was unsuccessful.
30. A copy of this letter was sent by email as well on June 23, 2014, but was not collected by the Respondent.
31. By letter dated August 8, 2014, the IIROC Investigator again advised the Respondent that, pursuant to IIROC Dealer Member Rule 19.5, the Respondent was being compelled to attend at the offices of IIROC on August 19, 2014 to provide a statement and answer questions of IIROC. The Respondent was again advised that he may wish to have independent legal counsel represent his interests.
32. The Respondent did not reply to this letter.
33. On August 19, 2014, the Respondent did not attend at the IIROC offices to provide a statement and to answer questions of IIROC.
34. In addition to the above letters and emails to the Respondent, the IIROC Investigator attempted on numerous occasions after April 29, 2014 to contact the Respondent by telephone, but these attempts were unsuccessful.

35. As a result of the Respondent's failure to attend a second interview and to answer questions, IIROC has been unable to complete its investigation into the Respondent's conduct.

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 the Staff of IIROC 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 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 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 the IIROC; or
- (i) any other fit remedy or penalty.

Where the Respondent is/was a Dealer Member:

- (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 Dealer Member by reason of the contravention;
- (c) suspension of the rights and privileges of the Dealer Member (and such suspension may include a direction to the Dealer 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 Dealer 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 the Staff in the Notice of Hearing, the Hearing Panel may pursuant to Dealer Member Rule 20.49 assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances.

DATED at Toronto, ON, this 30th day of July, 2015.

ELSA RENZELLA
VICE-PRESIDENT, ENFORCEMENT
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
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