

IN THE MATTER OF:

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

AND

JAMES DUGLAD MACARTHUR

NOTICE OF HEARING

An initial appearance (“Initial Appearance”) will be held before a hearing panel (“Hearing Panel”) of the Investment Industry Regulatory Organization of Canada (“IIROC”) pursuant to Sections 8203 and 8205 of the Consolidated Enforcement, Examination and Approval Rules of IIROC in this matter. The purpose of the Initial Appearance is to schedule a hearing (“Hearing”).

The Initial Appearance will be held on: March 27, 2017 at 10:00 a.m.

The Initial Appearance will be held at: IIROC – Alberta Room
121 King Street West, Suite 2000
Toronto, ON

The Respondent must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated January 12, 2017 (“Statement of Allegations”) in accordance with Section 8415 within 30 days from the effective date of service of this Notice of Hearing.

If the Respondent does not file a Response in accordance with Section 8415(1), the Initial Appearance may be immediately converted to a Hearing.

If the Respondent files a Response in accordance with Section 8415(1), the Initial Appearance will be immediately followed by an initial prehearing conference. In preparation for the prehearing conference, the Respondent must serve and file a prehearing conference form in accordance with Section 8416(5).

The purpose of the Hearing will be to determine whether the Respondent has committed the contraventions that are alleged by the staff of IIROC (“Staff”). The alleged contraventions are contained in the Statement of Allegations.

Pursuant to Section 8409, the Hearing will be conducted as a[n]:

- Oral Hearing
- Electronic Hearing
- Written Hearing

The Initial Appearance, the Hearing and all related proceedings will be subject to the Rules of Practice and Procedure as set out in Section 8400.

Pursuant to the Rules of Practice and Procedure, the Respondent is entitled to attend the Hearing and to be heard, to be represented by counsel or by an agent, to call, examine and cross-examine witnesses, and to make submissions to the Hearing Panel at the Hearing.

If the Respondent fails to serve a Response at the Hearing the Hearing Panel may, pursuant to Section 8415(4):

- (a) proceed with the hearing as set out in this Notice of Hearing, without further notice to the Respondent;
- (b) accept as proven the facts and contraventions set out by Staff in the Statement of Allegations; and
- (c) order penalties and costs against the Respondent pursuant to Sections 8209, 8210 and 8214.

If the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by Staff in the Statement of Allegations, the Hearing Panel may, pursuant to Sections 8209 and 8210 impose any one or more of the following penalties:

Where the Respondent is/was a Regulated Person who is not a Dealer Member:

- (a) a reprimand;
- (b) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention;
- (c) 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 person, directly or indirectly, as a result of the contravention.

- (d) suspension of the person's approval or any right or privilege associated with such approval, including access to a Marketplace, for any period of time and on any terms and conditions;
- (e) imposition of any terms or conditions on the person's continued approval or continued access to a Marketplace;
- (f) prohibition of approval in any capacity, for any period of time, including access to a Marketplace;
- (g) revocation of approval;
- (h) a permanent bar to approval in any capacity or to access to a Marketplace;
- (i) permanent bar to employment in any capacity by a Regulated Person, and
- (j) any sanction determined to be appropriate under the circumstances.

Where the Respondent is/was a Dealer Member:

- (a) a reprimand;
- (b) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention;
- (c) 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, directly or indirectly, by reason of the contravention;
- (d) suspension of membership in IIROC or of any right or privilege associated with membership, including a direction to cease dealing with clients, for any period of time and on any terms and conditions;
- (e) imposition of any terms and conditions on the Dealer Member's continued membership, including on access to a Marketplace;
- (f) expulsion from membership and termination of the rights and privileges of membership, including access to a Marketplace;
- (g) a permanent bar to membership in IIROC;
- (h) appointment of a monitor; and

- (i) any other sanction determined to be appropriate under the circumstances.

If the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by the Staff in the Statement of Allegations, the Hearing Panel may assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances pursuant to Section 8214.

DATED this 12th day of January, 2017.

“National Hearing Coordinator”

NATIONAL HEARING COORDINATOR
Investment Industry Regulatory Organization of Canada
Suite 2000, 121 King Street West
Toronto, Ontario, M5H 3T9

IN THE MATTER OF:

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

AND

JAMES DUGALD MACARTHUR

STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated January 12, 2017 Staff of the Investment Industry Regulatory Organization of Canada make the following allegation:

PART I - CONTRAVENTION ALLEGED

From September to November, 2016 the Respondent failed to co-operate with an IIROC investigation by failing to provide documents and attend a compelled interview, contrary to the IIROC Consolidated Enforcement, Examination and Approval Rules Section 8104.

PART II - PARTICULARS

A. Overview

1. In September 2016 IIROC Enforcement Staff (“Staff”) compelled the Respondent to provide certain documents in relation to an IIROC investigation.
2. The Respondent has failed to deliver any of the requested documents to Staff.
3. In September 2016 Staff also compelled the Respondent to attend an interview in October 2016. At the Respondent’s request the interview was rescheduled and he was subsequently compelled to attend an interview in November 2016.
4. The Respondent failed to attend the November 2016 interview.

B. Registration History

5. The Respondent was a Registered Representative (“RR”) with IIROC member firms as follows:

CIBC World Markets Inc.	2003 to 2012
MacQuarie / Richardson GMP Ltd.	2012 to 2014
Manulife Securities Inc. (“Manulife”)	2014 to 2015

6. The Respondent is currently not an IIROC registrant.

C. Client Complaint Filing

7. In April 2016 the Respondent’s Dealer Member firm, Manulife, filed a Complaints and Settlement Reporting System report (“ComSet Report”) with IIROC as a result of its receipt of a Statement of Claim served by the Respondent’s client TF.
8. The ComSet Report cited the Statement of Claim wherein TF alleged as follows:
- That on 15 occasions between 2011 and 2015 the Respondent borrowed a total of approximately \$1M from TF at an interest rate of 12% per annum;
 - That the Respondent offered security for the loans by way of a first mortgage on real property that he owned ;
 - That the Respondent signed Promissory Notes with respect to the loans in May 2011 and February 2015; and
 - That the Respondent had failed to pay any of the principal amount borrowed or interest as agreed.
9. The Respondent failed to defend the Statement of Claim and was noted in default in July 2016.

D. Respondent’s Failure to Co-operate with IIROC

Failure to Respond to Compelled Request for Documents

10. By letter dated August 8, 2016, Staff requested that the Respondent provide information and documentation in respect of IIROC’s investigation into the issues summarized in the ComSet Report, by August 22, 2016.
11. On August 22, 2016 the Respondent left a voicemail message with Staff requesting an extension of time to provide a response to the request.
12. By letter dated September 12, 2016, Staff compelled the Respondent to provide the previously requested information and documentation by a new deadline of September 22, 2016.

13. The Respondent failed to respond to the September 12, 2016 letter.
14. By letter dated October 24, 2016, Staff again compelled the Respondent to provide the previously requested information and documentation by a new deadline of November 9, 2016.
15. The Respondent failed to respond to the October 24, 2016 letter, and has failed to provide any information or documentation in respect of the IIROC investigation.

Failure to Attend Compelled Interview

16. Between May and July 2016 Staff contacted the Respondent on approximately five occasions in an attempt to schedule an interview with him, however the Respondent failed to fix a date for the interview.
17. By letter dated September 12, 2016, Staff compelled the Respondent to attend an interview on October 24, 2016. The letter indicated that a failure to attend the interview may result in a disciplinary action.
18. On Friday, October 21, 2016 Staff left a voicemail message for the Respondent to remind him of the interview scheduled for Monday, October 24, 2016 and repeated the date, time, and address for the interview.
19. On Sunday, October 23, 2016 the Respondent left Staff a voicemail message advising that he would be unable to attend the scheduled interview due to work commitments, and that he would attempt to get in touch with Staff to reschedule the interview; but ultimately did not do so.
20. By letter dated October 24, 2016, Staff again compelled the Respondent to attend an interview on November 23, 2016.
21. The letter indicated that should he fail to provide the documentation previously requested and/or attend the scheduled interview, Staff would be in a position to commence formal disciplinary proceedings against him for failing to co-operate with an IIROC investigation.
22. On October 24, 2016 Staff also contacted the Respondent by telephone and left a voicemail message confirming the details of the letter of the same date.
23. On November 23, 2016 at approximately 6 am the Respondent left Staff a voicemail message advising that he would be unable to attend the interview scheduled for later that day.
24. The Respondent failed to attend the compelled interview.

DATED at Toronto, Ontario this 12th day of January, 2017.