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## **INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**

**IN THE MATTER OF:**

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

**AND**

**JACQUES TURENNE**

### **NOTICE OF HEARING**

**TAKE NOTICE** that, pursuant to Part 10 of Rule 20 of the Investment Industry Regulatory Organization of Canada (IIROC) and s. 1.9 of Schedule C.1 to Transition Rule No. 1, a hearing will be held before a hearing panel of IIROC (Hearing Panel) on February 25, 2015, at 10:00 a.m., or as soon thereafter as the hearing can be heard, in the IIROC offices located at 5 Place Ville-Marie, Suite 1550, Montréal, Québec.

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

- The Standard Track  
 The Complex Track

**THE PURPOSE OF THE HEARING** is to determine whether Jacques Turenne (Respondent) has committed the following contraventions that are alleged by IIROC Staff (Staff):

- (i) On or around June 19, 2003 and March 12, 2009, Respondent engaged in personal financial dealings with a client, by borrowing money from her without the knowledge and without the consent of the IIROC Dealer Member with whom he was employed, contrary to IIROC Dealer Member Rule 29.1 (formerly By-law 29.1 of the IDA);

- (ii) On October 31, 2012 and December 13, 2012, Respondent made false statements to Staff of IIROC in the course of a prior disciplinary matter, thus hindering the evaluation of the complaint and the conduct of the investigation in the present matter, contrary to IIROC Dealer Member Rule 29.1.

## **PARTICULARS**

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

### **Summary of the Respondent's alleged misconduct**

1. On two occasions, Respondent borrowed money for a total of thirteen thousand dollars (\$13,000) from one of his clients, a retired, elderly widow, for his own personal ends, thus allowing his personal interest to conflict with his client's interest. The money was borrowed without the knowledge and consent of the IIROC Dealer Member with whom the Respondent was employed;
2. Subsequently, on two occasions, the Respondent made a false statement to IIROC, by answering in the negative when questioned about whether he had borrowed money from other clients. The false statements were made at the case assessment and investigation stages in a prior disciplinary matter for which Respondent has already been disciplined.

### **Respondent's Professional Experience**

3. Around April 26, 1994, Respondent was approved as a financial planner with Services financiers T.P.R. inc. On or around March 25, 1996, he was appointed the designated person responsible for the Trois-Rivières branch and acted in this capacity until about October 1996;
4. Subsequently, namely around October 4, 1996, he was hired by Groupe Option Retraite (GOR), where he was employed as a financial planner;
5. Around February 26, 1999, Respondent was acting as a registered representative with unrestricted practice with GOR, in addition to carrying on his activities as a financial planner. He resigned around January 2, 2004;
6. On or around February 6, 2004, Respondent was hired by Desjardins Securities Inc. (DS) with whom he was approved as a registered representative (retail) until June 2009;

7. On June 1, 2008, Respondent became a registrant of IIROC;
8. On or around August 7, 2009, Respondent was hired by PEAK Securities Inc. (PEAK) for whom he acted as a Registered Representative, Retail;
9. On or around September 14, 2012, PEAK dismissed the Respondent for cause;
10. On July 25, 2013, under the terms of a settlement agreement, the Respondent admitted his guilt relative to the following breach of discipline:
  - (i) On or around March 19, 2012, Respondent engaged in a personal financial dealing with a client, by borrowing money from her without the knowledge and without the consent of the IIROC Dealer Member with whom he was employed, contrary to IIROC Dealer Member Rule 29.1.
11. On July 25, 2013, pursuant to a settlement agreement, a hearing panel of IIROC agreed to impose the following penalties on the Respondent:
  - (i) a fine of ten thousand dollars (\$10,000);
  - (ii) suspension of approval for one (1) month;
  - (iii) pass the exam based on the Conduct and Practices Handbook Course within 6 months of applying for re-approval;
  - (iv) twelve (12) months of strict supervision with mandatory submission of a monthly report to the IIROC Registration Department;
  - (v) costs in the amount of a thousand dollars(\$1,000) payable to IIROC.
12. Currently, Respondent is no longer a registrant in the employ of an IIROC-regulated firm. Rather, he is registered as a group savings plan representative with the Chambre de la sécurité financière;
13. Respondent is currently employed as a group savings plan representative with Mérici Services Financiers inc., in Trois-Rivières;

### **Personal Financial Transactions with a Client**

14. Mrs. CRM knew the Respondent through her husband who had retained his professional services to manage their brokerage accounts since 1996;
15. There is no family relationship between Mrs. CRM and the Respondent;
16. Mrs. CRM is retired, 71 years of age and widowed, and has had to manage her own assets since her husband's death, which occurred in 1999;

17. Before her retirement, Mrs. CRM worked as a receptionist at Hydro-Québec;
18. On June 19, 2003, Respondent borrowed two thousand dollars (\$2,000) from Mrs. CRM for his own personal ends;
19. On June 19, 2003, Respondent signed an acknowledgment of debt in favour of Mrs. CRM for the amount of two thousand dollars (\$2,000) which he borrowed from her. The acknowledgment of debt stipulates that the Respondent shall repay Mrs. CRM at an annual interest rate of 5%;
20. When he borrowed the money, Respondent was employed with GOR and was the registered representative (retail) assigned to Mrs. CRM's brokerage accounts;
21. Yet, at no time did the Respondent disclose the existence of this personal loan to GOR because he knew that such dealings were forbidden to him as an investment professional;
22. At no time did the Respondent explain to Mrs. CRM that the loan placed him in a conflict of interest in her regard;
23. On or around February 16, 2004, Mrs. CRM opened cash and RIFF accounts with DS. The Respondent was assigned to these accounts as the Registered Representative, Retail;
24. When her cash account was opened, Mrs. CRM consented to have all of her investments with GOR transferred to DS, where Respondent was now employed;
25. On May 31, 2007, Mrs. CRM opened a margin account with DS. Respondent was also assigned to that account;
26. On March 12, 2009, Respondent borrowed eleven thousand dollars (\$11,000) from Mrs. CRM for his own personal ends;
27. On March 12, 2009, Respondent signed an acknowledgment of debt in favour of Mrs. CRM. This acknowledgment of debt provides that the Respondent shall repay Mrs. CRM at an annual interest rate of 5%;
28. On March 12, 2009, a withdrawal in the amount of ten thousand dollars (\$10,000) was made from the margin account belonging to Mrs. CRM to cover the amount debited from her personal bank account with the Caisse populaire;
29. At no time did the Respondent disclose to DS the existence of the personal loan of eleven thousand dollars (\$11,000) because he knew that such dealings are forbidden to him as an investment professional;

30. Yet DS' internal policy is clear on the subject of personal financial dealings between an employee and a DS client, and its content is to the same effect as the code of ethics for registered representatives, retail. Most notably, it states the following:

[TRANSLATION]

- (i) *"It is strictly forbidden for a DS employee to engage in personal financial dealings with clients of DS. By personal financial dealings is meant, for example, borrowing money from clients, (...)"*

31. At no time did the Respondent explain to Mrs. CRM that the loan placed him in a conflict of interest with her;
32. Towards the end of June 2009, all of the brokerage accounts that Mrs. CRM held with DS were transferred to another registered representative, retail who was still employed with DS, given that Respondent had left DS in order to carry on his business activities with PEAK;
33. The table below shows the amounts repaid to Mrs. CRM by the Respondent, and their respective payment dates:

| <b>Dates</b>    | <b>Amounts Reimbursed</b> |
|-----------------|---------------------------|
| July 6, 2009    | \$6100                    |
| March 23, 2012  | \$500                     |
| August 4, 2012  | \$500                     |
| August 7, 2012  | \$500                     |
| October 2, 2012 | \$3500                    |
| <b>Total</b>    | <b>\$11,100</b>           |

34. On September 2, 2012, Mrs. CRM signed a discharge in favour of the Respondent, conditional on cashing the cheque in the amount of three thousand five hundred dollars (\$3500) that Respondent had made out to her on that date;
35. On August 14, 2013, Mrs. CRM sent DS a written complaint. It was only then that DS learned of the existence of the personal loans that she had made to the Respondent. In her complaint Mrs. CRM alleges having loaned the Respondent a sum of two thousand dollars (\$2,000), on June 19, 2003, and a sum of eleven thousand dollars (\$11,000) on March 12, 2009. She maintains that she was reimbursed in part by the Respondent and claims that the latter still owes her three thousand one hundred and thirty-four dollars and eighty-two cents (\$3134.82). She formally demands that DS repay her this amount;

36. The amount that Mrs. CRM is claiming from DS corresponds approximately to the loan of two thousand dollars (\$2,000) that she made to the Respondent on June 19, 2003, with the annual interest incurred on both loans, as provided in the acknowledgments of debt signed by the Respondent on June 19, 2003 and March 12, 2009;
37. On or around August 26, 2013, DS wrote to Mrs. CRM and informed her that it would not accede to her demand for reimbursement.

### **False statements during an investigation conducted by IIROC**

38. On September 19, 2012, PEAK informed IIROC of the fact that a Mrs. CD had filed a complaint regarding the Respondent. In her complaint, Mrs. CD alleged that Respondent had borrowed a sum of eight thousand dollars (\$8,000) from her and had not repaid her;
39. On September 14, 2012, PEAK dismissed the Respondent for this reason;
40. Following this event, IIROC examined Mrs. CD's complaint regarding the Respondent;
41. On October 31, 2012, Respondent sent his written comments to the case assessment officer at IIROC and alleged that, throughout his career, with the exception of Mrs. CD, he had done no other borrowing from his clients;
42. In these written comments, Respondent omitted to inform IIROC of the existence of the loans made with Mrs. CRM. This omission prevented IIROC from evaluating the full scope of Respondent's misconduct;
43. Also, on December 13, 2012, IIROC met with the Respondent and questioned him to find out whether he had solicited other clients for the purpose of borrowing money from them. Respondent then stated, under oath, that he had never borrowed money from other clients, whereas he had also borrowed money from Mrs. CRM. On December 13, 2012, Respondent was accompanied and represented by counsel;
44. On December 13, 2012, with this false statement, Respondent omitted to inform IIROC of the existence of a material fact that prevented it from determining the full scope of the alleged misconduct;
45. On November 29, 2013, IIROC again met with the Respondent and questioned him on the subject of the false statements made to IIROC on October 31 and December 13, 2012. Respondent then admitted having lied when he responded in the negative to the case assessment officer and the IIROC investigator regarding the existence of cash loans with other clients. He stated under oath that, apart from the

money borrowed from Mrs. CD, Mrs. CRM and his parents, who are also his clients, he has not borrowed money from other clients.

### **GENERAL PROCEDURAL MATTERS**

**TAKE FURTHER NOTICE** that the hearing and related proceedings shall be subject to the Rules of Practice and Procedure governing the Dealer Members of IIROC (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 IIROC 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

- (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 of IIROC 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 IIROC 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 IIROC;
- (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 such Approved Person 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 Respondent did commit any or all of the contraventions alleged by the Association 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 Montréal, Québec on January 8, 2015.

(s) Carmen Crépin

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**CARMEN CRÉPIN**  
**VICE-PRESIDENT, QUÉBEC**

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