

Unofficial English Translation

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

**THE RULES OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION
OF CANADA (IIROC)**

AND

DANIEL DESAUTELS

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The Enforcement Staff of IIROC and the Respondent, Daniel Desautels, consent and agree to the settlement of these matters by way of this settlement agreement (“the Settlement Agreement”).
2. The Enforcement Department of IIROC has conducted an investigation (“the Investigation”) into the conduct of Daniel Desautels.
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. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.
5. The Respondent admits the following contraventions of IIROC Dealer Member Rules, Guidelines, Regulations or Policies:
 - a) Between January 27, 2009 and March 22, 2011, while a Registered Representative with Industrial Alliance Securities Inc., the Respondent failed to use due diligence to learn and remain informed of the essential facts

relative to one of his clients and to every order and account accepted, contrary to IIROC Dealer Member Rule 1300.1(a);

- b) Between January 27, 2009 and March 22, 2011, while a Registered Representative with Industrial Alliance Securities Inc., the Respondent executed trades in the accounts one of his clients, based on instructions received from an individual who was not authorized to give instructions on the account and, in so doing, failed to observe high standards of ethics and conduct and engaged in conduct unbecoming and detrimental to the public interest, contrary to IIROC Dealer Member Rule 29.1; and
 - c) Between January 27, 2009 and March 22, 2011, while a Registered Representative with Industrial Alliance Securities Inc., the Respondent executed a transfer of funds from the accounts one of his clients to an account with another financial institution, based on instructions received from an individual who was not authorized to give instructions on the account and, in so doing, failed to observe high standards of ethics and conduct and engaged in conduct unbecoming and detrimental to the public interest, contrary to IIROC Dealer Member Rule 29.1.
6. Staff and the Respondent have accepted the following Terms of Settlement:
- a) A fine in the amount of \$20,000;
 - b) Disgorgement of the commissions earned in connection with the alleged contraventions, in the amount of \$2,084; and
 - c) Pass the Conduct and Practices Handbook examination within twelve (12) months following acceptance of this Settlement Agreement by the Hearing Panel.
7. The Respondent agrees to pay IIROC costs in the amount of \$5,000.
8. The Respondent agrees to pay IIROC, by cheque, an amount of \$13,542, which is equal to 50% of the aggregate financial penalty (fine, disgorgement of commissions and costs) on the date of acceptance of the Settlement Agreement by the Hearing Panel.

III. STATEMENT OF FACTS

(i) Acknowledgement

9. 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

RESPONDENT'S PROFESSIONAL EXPERIENCE

10. The Respondent has been approved as a registered representative with IIROC, as well as its predecessor the Investment Dealers Association of Canada (IDA), since April 1998.
11. The Respondent has been employed with Industrial Alliance Securities Inc. (IAS) since September 2002.

FAILURE TO RESPECT THE KNOW-YOUR-CLIENT RULE

12. On or around January 27, 2009, the Respondent opened a CAD account in the name of the client J.P.
13. The New Account Application Form used for the CAD account was signed by the client J.P. on January 27, 2009.
14. On or around February 12, 2009, the Respondent opened a TFSA account in the name of the client J.P.
15. The New Account Application Form used for the TFSA account was signed by the client J.P. on February 12, 2009.
16. On or around March 17, 2011, the Respondent opened a US account in the name of the client J.P.
17. The Respondent stated to IIROC Staff that he opened the CAD, TFSA and US accounts at the request of the client's spouse, A.M., who did not have power of attorney for these accounts.
18. The Respondent stated to IIROC Staff that he had known A.M. since November 2000, and that the latter was a trusted client with whom he maintained a good business relationship.
19. The Respondent stated to IIROC Staff that he had not met with the client J.P. in person when he opened the CAD, TFSA and US accounts.

20. The Respondent stated to IIROC Staff that when the CAD and TFSA accounts were opened, he did not communicate with the client J.P., nor ask to meet her in person in order to confirm that she understood the content of the new account application forms and to discuss her investment objectives.
21. The Respondent had entered on the new account application form for the CAD account that a meeting with the client J.P. had taken place.
22. The Respondent stated to IIROC Staff that he had, prior to opening the CAD and TFSA accounts, met the client J.P. briefly and informally on two (2) occasions at social events.
23. The Respondent stated to IIROC Staff that when the CAD account was opened, he had identified the client J.P. from an ID card supplied by A.M.
24. The Respondent stated to IIROC Staff that the CAD account was opened according to instructions from A.M. and that the information entered on the New Account Application Form (investment knowledge, investment objectives and risk tolerance) corresponded to the latter's profile rather than that of the client J.P.
25. The Respondent had entered on the New Account Application Form for the CAD account that the client J.P.'s investment knowledge was good, that she had opted for a growth strategy and that her risk tolerance was high, that power of attorney over the account had not been delegated to a third party and that no one other than the account holder had powers or financial interests in regard to the account.
26. The Respondent stated to IIROC Staff that, during the material period from January 27, 2009 to March 22, 2011, he never contacted the client J.P. to discuss her investment objectives or update her client profile.

TRANSACTIONS EXECUTED BASED ON INSTRUCTIONS RECEIVED FROM AN UNAUTHORIZED INDIVIDUAL

27. Between January 27, 2009 and March 22, 2011, the client J.P.'s file at IAS did not contain any power of attorney that would authorize A.M. to give the Respondent trading instructions regarding client J.P.'s CAD, TFSA and US accounts.
28. The Respondent stated to IIROC Staff that he had provided A.M. with a power of attorney form to give to client J.P., and that it was never signed.

29. The Respondent stated to IIROC Staff that, during the material period from January 27, 2009 to March 22, 2011, he received his trading instructions for client J.P.'s CAD and TFSA accounts from A.M. and not the client J.P.
30. Between January 27, 2009 and March 22, 2011, the Respondent executed sixteen (16) buy and sell trades in client J.P.'s CAD and TFSA accounts, as described in Schedule A.
31. The sixteen (16) trades generated commissions valued at approximately \$2,100.

TRANSFER OF FUNDS EXECUTED BASED ON INSTRUCTIONS RECEIVED FROM AN UNAUTHORIZED PERSON

32. Between January 27, 2009 and March 22, 2011, the client J.P.'s file at IAS did not contain any power of attorney that would authorize A.M. to instruct the Respondent to transfer funds from client J.P.'s CAD, TFSA and US accounts to accounts with other financial institutions.
33. The Respondent stated to IIROC Staff that he had provided A.M. with a power of attorney form to give to client J.P., and that it was never signed.
34. The Respondent stated to IIROC Staff that, for the material period from January 27, 2009 to March 22, 2011, he received his instructions to transfer funds from the client J.P.'s CAD, TFSA and US accounts from A.M. and not the client J.P.
35. Between January 27, 2009 and March 22, 2011, the Respondent executed one transfer of funds from the client J.P.'s CAD, TFSA and US accounts to a joint account that she held with A.M. at another financial institution.
36. The Respondent stated to IIROC Staff that, in early March 2011, A.M. contacted him to ask him to liquidate his personal accounts, as well as the client J.P.'s CAD and TFSA accounts, in order to finance a property purchase in the United States.
37. On or around March 17, 2011, the Respondent opened a US account in the name of the client J.P.
38. The Respondent stated to IIROC Staff that he opened the US account using a photocopy of a passport belonging to the client J.P., which was supplied by A.M.
39. On or around March 22, 2011, the Respondent converted the entire amount held in the client J.P.'s CAD and TFSA accounts to American dollars.
40. On or around March 22, 2011, the Respondent transferred all of the funds in the CAD and TFSA accounts to the US account.

41. On or around March 22, 2011, the Respondent transferred all of the funds deposited in the US account, an amount of US\$70,298.12, to an account held jointly by the client J.P. and A.M. at another financial institution, as described in Schedule A.
42. The Respondent stated to IIROC Staff that during the material period from January 27, 2009 to March 22, 2011, he never contacted client J.P. to obtain her authorization before transferring the funds in the CAD, TFSA and US accounts.

IV. TERMS OF SETTLEMENT

43. This settlement is agreed upon in accordance with IIROC Dealer Member Rules 20.35 to 20.40 inclusive, and Rule 15 of the Dealer Member Rules of Practice and Procedure.
44. The Settlement Agreement is subject to acceptance by the Hearing Panel.
45. The Settlement Agreement shall become effective and binding upon the Respondent and Staff from the date of its acceptance by the Hearing Panel.
46. 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.
47. 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.
48. 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.
49. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel.
50. 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.
51. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately on the effective date of the Settlement Agreement.

52. Unless otherwise stated, any suspensions, bars, expulsions, restrictions or other terms of the Settlement Agreement shall commence on the effective date of the Settlement Agreement.

AGREED TO by the Respondent at _____, in the Province of Québec, this 8th day of September 2016.

(s) Daniel Desautels

WITNESS

**DANIEL DESAUTELS
RESPONDENT**

AGREED TO by Staff, at Montréal, Québec, this 9th day of September 2016.

(s) Émilienne Robichaud

(s) Fanie Dubuc

WITNESS

FANIE DUBUC
Enforcement Counsel, for Staff
of IIROC

SCHEDULE "A"

Margin Account Transactions Client J.P.							
Date	Transaction	Quantity	Security	Price	Gross Total	Net Total	Commission
2009/03/06	Buy	625	Industrial Alliance	15.90	9,937.50	10,022.50	85
2009/11/18	Buy	200	Glaxo Smithkline (US\$ Pr	41.55	8,816.70	8,907.07	90
2009/12/15	Buy	350	6.1%) National Bank of	57.81	20,233.50	20,318.50	85
2010/09/14	Buy	150	Canada Industrial Alliance	31.70	4,755.00	4,820.00	65
2010/09/14	Sell	356	National Bank of Canada	65.00	23,138.58	23,053.24	85
2010/10/29	Buy	400	Brookfield Renewable	21.85	8,740.00	8,740.00	0
2010/11/17	Buy	350	Cisco System (US\$ Pr	20.62	7,401.03	7,488.20	87
2011/03/18	Sell	400	2.55%) Brookfield	21.32	8,529.20	8,444.00	85
2011/03/18	Sell	350	Renewable	17.33	6,262.63	5,786.00	477
2011/03/18	Sell	200	Cisco System (US\$ Pr 3.25%)	37.46	7,735.49	7,166.24	569
2011/03/18	<i>Transfer</i>	<i>NA</i>	<i>Termination</i>	<i>NA</i>	<i>NA</i>	<i>12,286.99</i>	<i>NA</i>
2011/03/22	Conversion	NA	Conversion to US\$	NA	NA	-69,173.35	NA
						Total	1,714

TFSA Account Transactions Client J.P.							
Date	Transaction	Quantity	Security	Price	Gross Total	Net Total	Commission
2009/03/18	Buy	100	Encana Corp	49.42	4,942.00	4,997.00	55
2011/03/18	Sell	195	Bell Aliant	26.88	5,241.60	5,156.60	85
2011/03/18	Sell	100	Cenovus Energy (Encana s/off	34.80	3,480.00	3,395.00	85
2011/03/18	Sell	100	d'Encana) Encana Corp	31.26	3,126.00	3,041.00	85
2009/02/19	Buy	195	Bell Aliant	25.60	4,992.00	5,051.75	60
2011/03/18	<i>Transfer</i>	<i>NA</i>	<i>Termination</i>	<i>NA</i>	<i>NA</i>	<i>-12,286.99</i>	<i>NA</i>
						Total	370

US Account Transactions							
Client J.P.							
Date	Transaction	Quantity	Security	Price	Gross Total	Net Total	Commission
2011/03/22	NA	NA	Conversion from CAD\$ (\$69,173.35)	NA	NA	70,298.12	NA
2011/03/22	NA	NA	Wire Transfer	NA	NA	-70,298.12	NA
					Total	0.00	0.00