

# IIROC NOTICE

## **Enforcement Notice Decision**

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Legal and Compliance

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**11-0294**

**Le 19 octobre 2011**

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## **IN THE MATTER OF Kenneth Gareau – Discipline**

Following a disciplinary hearing held from May 30 – June 3, 2011, in Regina, Saskatchewan, a Hearing Panel of the Investment Industry Regulatory Organization of Canada (IIROC) found that Kenneth Gareau (Gareau) recorded inaccurate “know your client” information on client account forms, made unsuitable recommendations and made a transaction against the express wishes of a client.

The Hearing Panel’s decision and reasons dated September 26, 2011 are available at <http://docs.iiroc.ca/DisplayDocument.aspx?DocumentID=4B62FAFF04194B01B0F7D5DA56C008F2&Language=en>

Specifically, the Hearing Panel found that:

- (1) Gareau acted contrary to IDA By-law and IIROC Rule 29.1 by:



- (a) Inaccurately recording the risk tolerance and investment objectives of JR and ER on each of three New Client Application Forms (NCAFs) completed in August 2007.
  - (b) Inaccurately recording the risk tolerance and investment objectives of RH and JH on an NCAF completed in June 2008.
  - (c) Inaccurately recording on NCAFs completed in September 2006 and June 2008 that RH and JH had not borrowed money to make investments.
- (2) Gareau acted contrary to IDA Regulation and IIROC Rule 1300.1(q) between July 2006 and October 2008 by failing to ensure recommendations he made to clients were suitable investments for them. In particular by:
- (a) Recommending and overseeing portfolios composed of virtually all equity assets for both RH and JH and for JR and ER, all four people of whom were retired and reliant on their investment portfolio.
  - (b) Recommending that RH and JH purchase \$100,000 of a hedge fund on margin.
  - (c) Recommending that RH and JH purchase \$170,000 in limited partnerships, some of it on margin.
  - (d) Recommending to JR and ER that Bell Canada bond units, a fixed income investment yielding as high as 6.7%, be sold to buy equity mutual funds.
  - (e) Recommending extensive use of margin accounts by RH and JH and failing to take positive steps to reduce the margin once it reached excessive amounts.
- (3) Gareau acted contrary to IDA By-law 29.1 (now IIROC Rule 29.1) in September 2007 by selling 51,000 units of a Bell Canada bond against the express wishes of his client and fully knowing that his client did not want it to be sold.

IIROC formally initiated the investigation into Gareau's conduct in March 2009. The allegations occurred when he was a Registered Representative with the Regina sub-branch of Dundee Securities Corporation, an IIROC regulated firm. Gareau continues to be registered in Regina, at the same firm, now known as DWM Securities Inc.

A separate hearing will be held to determine the penalty to be imposed on Gareau. The date of such hearing will be made public at [www.iiroc.ca](http://www.iiroc.ca).