

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

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

AND

**THE BY-LAWS OF THE
INVESTMENT DEALERS ASSOCIATION OF CANADA**

AND

FERDINAND RENAUD

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 a date to be fixed by the Hearing Panel on November 3, 2015 at Charest Reporting, 16th Floor - 885 West Georgia Street, Vancouver, British Columbia 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 the Respondent, Ferdinand Renaud (Renaud) who at all material times was a Registered Representative, committed the following contraventions that are alleged by the Staff of IIROC (Staff):

Count 1

Between 2007 and 2013, Renaud failed to use due diligence to ensure that the recommendations that he made for the accounts of his clients GM and ADM were suitable for them, contrary to IIROC Dealer Member Rule 1300.1(q) (IDA By-law 1300.1(q) prior to June 1, 2008).

Count 2

In 2012, Renaud engaged in discretionary trading for the accounts of his clients GM and ADM without the accounts having been approved and accepted as discretionary accounts, contrary to IIROC Dealer Member Rule 1300.4.

Count 3

Between 2007 and 2013, Renaud failed to use due diligence to ensure that the recommendations that he made for the accounts of his clients RB and JB were suitable for them, contrary to IIROC Dealer Member Rule 1300.1(q) (IDA By-law 1300.1(q) prior to June 1, 2008).

PARTICULARS

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

Overview

1. Renaud was the Registered Representative who responsible for the accounts of GM, ADM, RB, and JB.
2. Between 2007 and 2013, Renaud made recommendations for their accounts which were not suitable because, among other things, they resulted in their accounts being concentrated in oil and gas securities and having a level of high risk securities which exceeded their risk tolerance levels.
3. In addition, in February 2012 Renaud engaged in discretionary trading in the accounts of GM and/or ADM.

Renaud

4. From February 2001 to June 2011, Renaud worked as a Registered Representative at the Kelowna business location of Canaccord Genuity Corp. (Canaccord).
5. From June 2011 to September 2013, Renaud worked as a Registered Representative at the Kelowna business location of Raymond James Ltd. (Raymond James).
6. Since September 2013, Renaud has not been an IIROC Approved Person.

GM & ADM

7. GM and ADM are married. GM was born in 1943 and ADM was born in 1947.
8. In 2003 GM and ADM were referred to Renaud by their accountant. At that time they owned and operated a recreational vehicle resort and a marina. In 2007 they both retired.
9. GM and ADM had moderate investment experience.

GM & ADM Open Accounts at Canaccord

10. Ultimately, GM and/or ADM opened the following three accounts at Canaccord:
 - in August 2003, a margin account in the name of a private company that GM was the president of (the GM Company Margin Account);
 - in April 2004, a margin account in the name of a private company that ADM was the president of (the ADM Company Margin Account); and
 - in May 2007, a joint margin account which had both a Canadian and US dollar component (the M Joint Margin Account).

The GM Company Margin Account

11. The Account Information Form (the AIF) that GM completed in August 2003 on behalf of the GM Company Margin Account indicated that the investment objectives for the account were:
 - 80% moderate growth - medium risk; and
 - 20% short term trading - high risk.
12. The Account Information Update Form (the AIF Update) which GM completed in October 2009 on behalf of the GM Company Margin Account indicated that the investment objectives for the GM Company Margin Account were:
 - 20% income - low to medium risk;
 - 60% moderate growth - medium risk;
 - 10% short term trading - medium to high risk; and
 - 10% speculative - high risk.

ADM Company Margin Account

13. The AIF that ADM completed in April 2004 and the AIF Update which she completed in October 2009 on behalf of the ADM Company Margin Account indicated that the investment objectives for the ADM Company Margin Account were:

	Income - Low to Medium Risk	Moderate Growth - Medium Risk	Short Term Trading - Medium to High Risk	Speculative - High Risk
April 2004 AIF	15%	70%	10%	5%
October 2009 AIF Update	20%	60%	10%	10%

M Joint Margin Account

14. The AIF that GM and ADM completed in May 2007 and the AIF Update that they completed in October 2009 on behalf of the M Joint Margin Account both indicated that their investment objectives for the M Joint Margin Account were:
- 80% moderate growth – medium risk; and
 - 20% short term trading – medium to high risk.

GM & ADM Transfer Their Accounts to Raymond James

15. In or around August 2011, the GM Company Margin Account, the ADM Company Margin Account, and the M Joint Margin Account were transferred to Raymond James.
16. In August 2012, all of the holdings in the ADM Company Margin Account were transferred into a new personal margin account in the name of ADM (the ADM Margin Account).
17. The Raymond James Client Account Agreements that were completed by GM and/or ADM for the GM Company Margin Account, the ADM Company Margin Account, the ADM Margin Account, and the M Joint Margin Account (collectively, the M Accounts) each indicated that the:
- account objectives were 25% income; 50% growth; and 25% speculative; and
 - risk tolerance was 75% medium and 25% high.
18. At all material times, Renaud was the Registered Representative who was responsible for the M Accounts at Canaccord and Raymond James.
19. GM and ADM relied on their investments with Renaud for income.
20. The October 2009 AIF Update for the M Joint Margin Account indicated that GM and ADM's estimated net liquid assets were approximately \$2,000,000 and their estimated net fixed assets were \$2,500,000.

Concentration in M Accounts

21. As detailed in the following table, for a number of months approximately 50% or higher of the holdings in the M Accounts were concentrated in oil and gas securities:

Account	Level of Oil and Gas Securities 50% or Higher
GM Company Margin Account	January 31, 2007 to July 31, 2011
ADM Company Margin Account/ADM Margin Account	January 31, 2007 to September 30, 2012
M Joint Margin Account	May 31, 2007 to August 31, 2009 October 31, 2010 to May 31, 2011

Purchase of High Risk Securities in M Accounts

22. As detailed above, the stated account objectives for the M Accounts dictated that the vast majority of their holdings should have been invested in low and medium risk securities. Instead, a large portion of the holdings in the M Accounts were invested in high risk securities. As a result, as summarized in the following table, for numerous months the level of high risk securities in the M Accounts exceeded the stated levels for high risk securities.

Account	Level of High Risk Securities Exceeded Account Parameters
GM Company Margin Account	January 31, 2007 to June 30, 2013
ADM Company Margin Account/ADM Margin Account	October 30, 2010 to September 30, 2012
M Joint Margin Account	May 31, 2007 to September 30, 2008 February 28, 2009 to May 31, 2013

23. In or around July 2013, GM and ADM complained to Canaccord about Renaud's conduct.

Losses in M Accounts

24. As detailed in the table below, between January 1, 2007 and June 30, 2013 the combined market value of the M Accounts declined by approximately \$525,211:

Account	Value of Assets as of December 31, 2006	Net Deposits or (Withdrawals)	Value of Assets as of June 30, 2013	Profit or (Loss)
GM Company Margin Account	\$623,651.41	(\$212,000)	\$171,675.89	(\$239,975.52)
ADM Company Margin Account/ ADM Margin Account	\$120,246.92	(\$91,000)	(\$12,304.89)	(\$41,551.81)
M Joint Margin Account	\$475,373.09	(\$174,000)	\$57,688.89	(\$243,684.20)

25. These losses include approximately \$30,959 in interest charges due to the use of margin.

Discretionary Trading in Two of the M Accounts

26. At no point did Renaud obtain written authorization for discretionary trading, and none of the M Accounts were designated and approved as discretionary by Raymond James.
27. As detailed below, in February 2012 Renaud placed five orders for the GM Company Margin Account and two orders for the M Joint Margin Account (the February 2012 Orders):

Date	Account	Buy/ Sell	Quantity	Security	Price	Cost/ Proceeds
February 13, 2012	GM Company Margin Account	Buy	2,000	Aston Hill Senior Gold Producers Income Corp.	\$8.312	\$16,954.00
February 13, 2012	GM Company Margin Account	Sell	6,870.806	Qwest Energy Canadian Resource Series A	\$3.359	\$23,076.98
February 13, 2012	GM Company Margin Account	Sell	7,661.122	Stone & Co Resource Plus Class Series A	\$3.305	\$25,321.54
February 13, 2012	M Joint Margin Account	Sell	3,064.449	Stone & Co Resource Plus Class Series A	\$3.305	\$10,128.62
February 14, 2012	M Joint Margin Account	Buy	1,000	Canbanc Income Corporation	\$9.740	\$9,930.00
February 14, 2012	GM Company Margin Account	Buy	2,000	Canbanc Income Corporation	\$9.710	\$19,810.00
February 22, 2012	GM Company Margin Account	Buy	400	Front Street Flow-Through 2012-I Limited Partnership	\$25.000	\$10,000.00

28. Renaud used his discretion with respect to the security, quantity, price, and/or timing of the February 2012 Orders.

RB & JB

29. RB and JB are married. They were both born in 1946.
30. At all material times, RB owned and operated a water truck which serviced the oil industry and JB was retired.
31. RB and JB had moderate investment experience.

RB & JB Open Accounts at Canaccord

32. In November 2004, RB and JB opened the following three accounts at Canaccord:
- a Registered Retirement Savings Plan (RRSP) account in the name of RB (the RB RRSP Account);

- a RRSP account in the name of JB (the JB RRSP Account); and
- a joint margin account (the B Joint Margin Account).

RB RRSP Account, JB RRSP Account, & Joint Margin Account

33. The AIFs which were completed in November 2004 and the AIF Updates which were completed in December 2008 on behalf of the RB RRSP Account, the JB RRSP Account, and the Joint Margin Account each indicated that the account objectives and risk tolerance levels for these accounts were:
- 30% income – low to medium risk;
 - 40% moderate growth – medium risk;
 - 15% short term trading – medium to high risk; and
 - 15% speculative – high risk.

RB Company Account

34. In October 2005, RB opened up a margin account at Canaccord in the name of the RB Company (the RB Company Margin Account). RB was the president and JB was the secretary of the company.
35. The AIF that RB completed in October 2005 and the AIF Update that he completed in December 2008 on behalf of the RB Company Margin Account both indicated that the investment objectives for the RB Company Margin Account were:
- 20% income – low to medium risk;
 - 60% moderate growth – medium risk;
 - 10% short term trading – medium to high risk; and
 - 10% speculative – high risk.

RB & JB Transfer Their Accounts to Raymond James

36. In July 2011, the RB RRSP Account, the JB RRSP Account, the B Joint Margin Account, and the RB Company Margin Account (collectively, the B Accounts) were transferred to Raymond James.
37. The Raymond James Client Account Agreements that RB and JB completed for the B Accounts each indicated that the:
- account objectives were 25% income; 50% growth; and 25% speculative; and
 - risk tolerance was 75% medium and 25% high.
38. At all material times, Renaud was the Registered Representative who was responsible for the B Accounts at Canaccord and Raymond James.
39. RB and JB relied on their investments for income.

40. The December 2008 Update form for the B Joint Margin Account indicated that RB and JB's estimated net liquid assets were approximately \$400,000 and their estimated net fixed assets were \$600,000.

Concentration in B Accounts

41. As detailed in the following table, for a number of months approximately 50% or higher of the holdings in the B Accounts were concentrated in oil and gas securities:

Account	Level of Oil and Gas Securities 50% of Higher
RB RRSP Account	January 31, 2007 to August 31, 2010 May 31, 2011
JB RRSP Account	January 31, 2007 to March 31, 2010
B Joint Margin Account	January 31, 2007 to May 31, 2010 January 31, 2011 to June 30, 2011 November 30, 2011 to April 30, 2013
RB Company Margin Account	January 31, 2007 to September 30, 2009

Purchase of High Risk Securities in B Accounts

42. As detailed above, the stated account objectives for the B Accounts dictated that the vast majority of their holdings should have been in low and medium risk securities. Instead, a large portion of the holdings in the B Accounts were invested in high risk securities. As a result, as summarized in the following table, for numerous months the level of high risk securities in the B Accounts exceeded the stated risk tolerance levels for high risk securities.

Account	Level of High Risk Securities Exceeded Account Parameters
RB RRSP Account	April 30, 2010 to April 30, 2013
JB RRSP Account	April 30, 2010 to April 30, 2013
B Joint Margin Account	April 30, 2010 to April 30, 2013
RB Company Margin Account	January 31, 2007 to October 31, 2008 March 31, 2009 to January 31, 2013

43. In around May 2013, the assets in the RB RRSP Account, the JB RRSP Account, and the Joint B Margin Account were transferred to another Dealer Member. The assets in the RB Company Margin Account were transferred to another Dealer Member in August 2013.

44. Ultimately, RB and JB complained to Canaccord and Raymond James about Renaud's conduct.

Losses in B Account

45. As detailed in the table below, between January 1, 2007 and April 30, 2013 the combined market value of the B Accounts declined by approximately \$306,585:

Account	Value of Assets as of December 31, 2006	Net Deposits or (Withdrawals)	Value of Assets as of April 30, 2013	Profit or (Loss)
RB RRSP Account	\$145,682.63	\$8,070.81	\$96,885.44	(\$56,868.00)
JB RRSP Account	\$176,854.38	0	\$80,483.98	(\$96,370.40)
B Joint Margin Account	\$125,147.29	(\$77,000)	\$55,135.82	\$6,988.53
RB Company Margin Account	\$247,638.81	\$133,169.00	\$220,472.25	(\$160,335.56)

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*, Renaud 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 Renaud must serve upon the Staff of IROC 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 Renaud 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 Renaud;
- (b) accept as proven the facts and contraventions alleged by Staff in the Notice of Hearing; and
- (c) order penalties and costs against Renaud pursuant to Dealer Member Rules 20.33, 20.34 and 20.49.

PENALTIES & COSTS

TAKE FURTHER NOTICE that if the Hearing Panel concludes that Renaud 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:

- (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; or
- (i) any other fit remedy or penalty.

TAKE FURTHER NOTICE that if the Hearing Panel concludes Renaud did commit any or all of the contraventions alleged by 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 Vancouver, this 29th day of September, 2015.

Warren Funt
Vice-President, Western Canada
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