

**INVESTMENT INDUSTRY
REGULATORY ORGANIZATION OF CANADA**

IN THE MATTER OF:

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

AND

**THE BY-LAWS OF THE INVESTMENT DEALERS ASSOCIATION OF
CANADA (IDA)**

AND

DANIEL DUBOIS

SETTLEMENT AGREEMENT

I. BACKGROUND

1. The Enforcement Staff of IIROC and the Respondent, Daniel Dubois, 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 Dubois;
3. On June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada and Market Regulation Services Inc. Pursuant to the Administrative and Regulatory Services Agreement between IDA and IIROC, effective June 1, 2008, the IDA has retained IIROC to provide services for IDA to carry out its regulatory functions.
4. The Respondent consents and agrees to be subject to IIROC’s jurisdiction;
5. 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

6. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement;
7. The Respondent, after receiving various explanations from IIROC Staff members, admits to the following contraventions of the Rules, Guidance, Regulations or Policies of IIROC's Dealer Members:
 - 1) Between July 2004 and October 2011, the Respondent failed to observe high standards of ethics and conduct and engaged in business practice unbecoming in the transaction of his activities, in that he:
 - a. did not adequately and completely disclose all of his outside business activities to his employer;
 - b. held authorizations to trade and exercised a form of authority over the accounts of certain of his clients, off book and without the knowledge of his employer;contrary to Dealer Member Rule 29.1 (IDA By-law 29.1 prior to June 1, 2008).
 - 2) Between July 2004 and October 2011, Respondent accepted remuneration and/or a consideration from a person other than his employer in regard to securities-related activities that he performed for this person, contrary to IIROC Rule 18.15 (IDA By-Law 18.15 prior to June 1, 2008).
 - 3) On October 31 and November 1, 2011, the Respondent failed to observe high standards of ethics and conduct and engaged in conduct unbecoming and potentially detrimental to the public interest in that he misled and/or lied to his employer when questioned about the activities described above under counts 1 and 2, contrary to IIROC Dealer Member Rule 29.1.
8. Staff and the Respondent have accepted the following terms of settlement:
 - a. an aggregate fine in the amount of \$20,000: \$10,000 on count 1 and \$10,000 on count 2;
 - b. Disgorgement of \$10,724 representing the fees collected between 2004 and 2010;
 - c. A one-month suspension of approval in any capacity.
9. The Respondent agrees to pay IIROC costs in the amount of \$5,000.

III. STATEMENT OF FACTS

(i) Acknowledgment

10. 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

11. The Respondent, between 2004 and 2011, while he was in the employ of Desjardins Securities Inc. (DS), acted as investment advisor for five (5) of his clients in respect of accounts held by the latter with Crédit Agricole Suisse Bahamas (CASB) (formerly "National Bank International" or NBI), off book and without the knowledge of DS;
12. Respondent would give NBI/CASB instructions to execute trades in the offshore accounts of these five (5) clients pursuant to authorizations to trade granted him by his clients;
13. Since 2004, Respondent received \$10,724 directly as remuneration and/or consideration for trades effected in these offshore accounts on behalf of his clients, which amounts were paid to him via a personal deposit account that he held with NBI/CASB until June 2009 and, subsequently by cheque made payable to his order and sent care of his name, all without informing his employer DS;
14. According to the Respondent, when he was hired in June 2004, he allegedly informed the DS representative in charge of hiring that he held a certain number of offshore accounts, without the DS representative ever specifically asking him to close them or to reveal their nature to DS. On the basis of this summary disclosure and the absence of specific instructions from the DS representative on that occasion, the Respondent wrongly believed that he did not, in future, have to report to DS about his outside business activities in connection with these offshore accounts;
15. When the DS Compliance Department met with him on October 31 and November 1, 2011, the Respondent falsely indicated several times that he had never received commissions or any other form of remuneration for the trading effected in his clients' offshore accounts, in addition to falsely denying that he had held a personal offshore account with NBI/CASB;

The representative Daniel Dubois (the Respondent)

16. Respondent was employed with DS from 2004 to 2011;
17. Since November 2011, Respondent has been employed with Mackie Research Capital Corporation (Mackie) and is subject to close supervision;
18. At all material times, Respondent was in the employ of DS;
19. On June 1, 2008, Respondent became a registrant of IIROC;
20. On November 3, 2011, DS dismissed the Respondent for undisclosed outside business activities involving offshore accounts held by some of his clients with NBI/CASB;

Mr. Dubois' outside business activities

21. It appears that in the job he held prior to being hired by DS, Respondent managed offshore trading accounts for those of his clients who requested it, in an open process with his employer at the time, but these transactions were off book after he was hired by DS in July 2004;
22. This management service was performed in the same way as for the accounts held here in Québec, with the difference that the consideration and/or commissions were deposited to a personal account opened in the Respondent's name at NBI/CASB;
23. The Investigation revealed that, between 2004 and 2011, Respondent had managed five (5) client accounts at NBI/CASB;
24. In the context of managing these offshore accounts, Respondent held an authorization to trade with NBI/CASB for each of these accounts, without DS being informed of these authorizations to trade.

Contravention 1: Incomplete and inadequate disclosure of outside business activities and trading authorizations

25. By virtue of the applicable legislation, as well as the internal policies and procedures of DS, Respondent was required to make full disclosure to DS of the extent of his outside business activities, and obtain written approval from DS in order to continue these activities;

26. By not adequately disclosing the relevant information concerning the clients with offshore accounts, Respondent was preventing DS from performing the monitoring of client accounts required by the applicable legislation;
27. During the years he was employed with DS, Respondent had many opportunities to disclose his outside business activities to his employer, which he neglected or omitted to do until his dismissal in November 2011;
28. In this regard, as of 2005, DS updated and implemented numerous compliance policies and procedures, specifying the disclosure obligations incumbent on investment advisors in respect of this type of activity;
29. Notably, DS introduced a code of ethics and a compliance manual in 2005, and completed a revision of its policy on outside business activities in 2010;
30. These measures were communicated to all DS advisors; in fact, the compliance manual was the subject of a special presentation, which Respondent confirmed having attended;
31. Certain of these measures were also the subject of reminders from the Compliance Department, notably the revised policy on outside business activities, in the form of information bulletins emailed to the DS advisors, including the Respondent;
32. In spite of all these measures and the applicable legislation, Respondent never altered his way of doing things or raised any questions about offshore client accounts;
33. Every year from 2005 to 2011, as part of annual compliance confirmations, Respondent confirmed that he had read the DS code of ethics, and the compliance manual which mention the obligations incumbent on the advisor to disclose this type of outside business activity as well as any brokerage accounts over which the advisor exercises a form of authority;
34. While acting as he did, Respondent came to understand that he had failed to observe high standards of ethics and professional conduct and was engaging in business conduct and practice unbecoming in the transaction of his activities;
35. His failure to adequately disclose to DS his activities with NBI/CASB notwithstanding, Respondent could not accept remuneration or any form of consideration for these activities;
36. Indeed, the applicable legislation prohibits a registered representative from receiving, directly or indirectly, any form of remuneration for securities-related

activities, unless that remuneration comes from the dealer member with which he is employed;

37. Between 2004 and 2009, the Respondent accepted \$10,274 in commissions paid to his personal NBI/CASB account in return for professional investment services rendered to his clients who held offshore accounts with NBI/CASB, off book and without the knowledge of DS;
38. Though the type of remuneration may have varied during this period, Respondent consistently received a consideration for the trades he executed on behalf of his clients in their offshore accounts, without informing DS;
39. The Respondent, in agreeing to have a consideration paid to his personal NBI/CASB account, had to know that he was accepting remuneration that was not provided by DS;
40. As of June 2009, Respondent closed his personal account with NBI/CASB and asked the latter to send him his remuneration in the form of cheques.

Contravention 3: False statements to his employer

41. When DS discovered the Respondent's involvement in undisclosed outside business activities, the latter was called to two (2) interviews with the DS Compliance Department;
42. In the course of these interviews, the representatives of the DS Compliance Department asked the Respondent several times whether he had received remuneration or some other form of consideration relative to his management or activities in connection with his clients' offshore accounts with NBI/CASB;
43. Over the course of the two interviews conducted by the DS Compliance Department, Respondent denied at least six (6) times having received remuneration for activities relating to his clients' offshore accounts;
44. What's more, Respondent denied having held a personal investment account with NBI/CASB, whereas he held a personal deposit account from 2004 until June 2009, to which \$10,724 in remuneration was deposited pursuant to his activities in his clients' accounts;
45. Respondent's clients have not filed any complaints respecting his actions.

IV. Terms Of Settlement

46. 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.
47. The Settlement Agreement is subject to acceptance by the Hearing Panel;
48. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.
49. 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.
50. 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.
51. 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.
52. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel;
53. 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.
54. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately upon the effective date of the Settlement Agreement.
55. 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 the City of Laval, in the Province Québec, this 22nd of January, 2014.

(s) Jacques Trudeau

(s) Daniel Dubois

Witness

Daniel Dubois - Respondent

Agreed to by Staff, at the City of Montréal, in the Province Québec, this 29th day of January, 2014.

(s) Linda Vachet

(s) Martin Hovington

Witness

**Me Martin Hovington
Enforcement Counsel, on behalf of
Staff of IIROC**