

# INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

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

AND

**JORDAN ROCCO STEEL**

## NOTICE OF HEARING

**TAKE NOTICE** that pursuant to Part 10 of Dealer Member Rule 20 and Section 1.9 of Schedule C.1 to Transition Rule No.1 of the Investment Industry Regulatory Organization of Canada (“IIROC”), a hearing will be held before a hearing panel of IIROC (“the Hearing Panel”) on December 12, 2012 at the Morris J. Wosk Centre for Dialogue, SFU Vancouver, 580 West Hastings Street, Executive Room 380, Vancouver, BC at 10:00 am, or as soon thereafter as the hearing can be heard.

**TAKE FURTHER NOTICE** that pursuant to Rule 6.2 of IIROC’s 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 Jordan Rocco Steel, (the “Respondent”) has committed the following contravention that is alleged by the IIROC Staff “Staff”):

From January 2010 to August 2011 inclusive (“Relevant Period”), the Respondent misappropriated approximately \$40,000 from two Investment Advisors for whom he worked as a registered assistant, contrary to Dealer Member Rule 29.1.

## **PARTICULARS**

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

### ***OVERVIEW***

1. The Respondent was at all material times a Registered Representative employed by Canaccord Genuity Corp. ("Canaccord"), during which time he worked as the assistant for two Investment Advisors, Lily Fey ("Fey") and Chris Morgan ("Morgan").
2. The Respondent was entitled to 1.5% of gross commissions earned by Fey and Morgan. Canadian commissions were calculated automatically. However, for US commissions, the Respondent had to manually prepare an Assistant/Associate Bonus Requisition Form ("Form").
3. For Fey, in each case, the Respondent prepared the Form which contained the correct commission amount owing to him. After the Forms were signed by Fey, the Respondent altered the commission amounts and faxed the Forms to Canaccord's payroll department. This resulted in a total overpayment to the Respondent of \$13,303.28.
4. During the Relevant Period, Morgan did not do enough US business to generate commission income for the Respondent. The Respondent nevertheless prepared false Forms by taking old Forms that had been signed by Morgan and entering a commission amount thereon. This resulted in the Respondent receiving \$27,194.35 to which he was not entitled.

### ***THE RESPONDENT***

5. The Respondent commenced his employment in the securities industry in March 2005 when he became employed as a clerk in Canaccord's Compliance Department. He became a registered representative in November 2006, but his registration was suspended on May 15, 2009 for failure to complete his post-licensing requirement. He became re-registered on June 12, 2009. The Respondent became Fey and Morgan's assistant in April 2007 and worked in that capacity until he was terminated for cause by Canaccord on September 30, 2011.
6. The Respondent does not have a regulatory disciplinary history.

### ***THE MISAPPROPRIATION***

7. Fey and Morgan had separate books of business but the Respondent worked as the licensed assistant to each of them. As their licensed assistant, he was entitled to 1.5% of the gross commissions earned by each of Fey and Morgan. Commissions for Canadian

business were calculated automatically, but a manual Form had to be prepared for US Commissions.

8. In respect of Fey, the Respondent prepared the Forms for Fey's signature. After Fey signed the Forms, the Respondent altered the Forms to increase the commission amount payable to him before he faxed them to payroll for payment.
9. During the Relevant Period, the Respondent received the following amounts from Fey's commissions based on the Forms faxed to payroll:

<b>Date of Fax</b>	<b>Amount</b>	<b>Payout Date</b>
January 6, 2010	\$ 767.26	January 15, 2010
February 2, 2010	\$ 106.59	February 12, 2010
March 3, 2010	\$ 992.61	March 15, 2010
May 5, 2010	\$ 797.04	May 14, 2010
June 9, 2010	\$ 184.31	June 30, 2010
July 7, 2010	\$ 791.12	July 15, 2010
August 10, 2010	\$ 491.12	August 31, 2010
September 2, 2010	\$ 837.32	September 15, 2010
October 5, 2010	\$ 904.27	October 15, 2010
November 4, 2010	\$ 935.24	November 15, 2010
December 3, 2010	\$ 1,150.21	December 15, 2010
January 11, 2011	\$ 1,235.15	January 31, 2011
February 3, 2011	\$ 321.10	February 15, 2011
March 2, 2011	\$ 978.08	March 15, 2011
April 4, 2011	\$ 1,661.13	April 15, 2011
May 3, 2011	\$ 1,315.53	May 15, 2011
June 3, 2011	\$ 1,357.20	June 15, 2011
July 5, 2011	\$ 121.21	July 15, 2011
July 15, 2011	\$ 1,786.10	July 29, 2011
August 3, 2011	\$ 1,112.37	August 15, 2011
<b>Total</b>	<b>\$17,844.96</b>	

10. During the Relevant Period, the Respondent was actually entitled to \$4,541.68 from Fey's US commissions. The Respondent's alteration of the Forms resulted in a total overpayment to him of \$13,303.28.
11. During the Relevant Period, Morgan did not do enough US business to warrant any commissions payable to the Respondent. The Respondent however created false Forms in respect of Morgan's accounts and submitted them to Canaccord's payroll department for processing. He prepared the false Forms by taking an old Form that contained Morgan's signature and filling in a commission amount.
12. During the Relevant Period, the Respondent received the following amounts from Morgan's commissions based on the Forms faxed to payroll:

<b>Date of Fax</b>	<b>Amount</b>	<b>Payout Date</b>
August 10, 2010	\$ 762.87	August 31, 2010
September 2, 2010	\$ 478.98	September 15, 2010
October 2, 2010	\$ 749.00	October 15, 2010
November 4, 2010	\$ 978.98	November 15, 2010
December 6, 2010	\$ 2,248.28	December 15, 2010
January 12, 2011	\$ 1,377.02	January 31, 2011
February 3, 2011	\$ 1,188.32	February 15, 2011
March 2, 2011	\$ 991.83	March 15, 2011
April 4, 2011	\$ 3,220.12	April 15, 2011
May 4, 2011	\$ 3,989.32	May 3, 2011
June 3, 2011	\$ 2,872.71	June 15, 2011
illegible	\$ 3,671.22	July 15, 2011
August 3, 2011	\$ 4,665.70	August 15, 2011
<b>Total</b>	<b>\$27,194.35</b>	

13. The Respondent was not entitled to receive any of the foregoing amounts from Morgan's commissions.
14. The total amount misappropriated by the Respondent from Fey and Morgan was \$40,497.63.
15. The misappropriation was discovered near the end of August or beginning of September 2011 when Fey noticed that the bonus amounts being paid to the Respondent from her US generated commissions seemed to be high. The Respondent was supposed to keep a copy of the Forms that he had faxed to payroll, so she asked to see the copies, but he could not produce same. Fey then asked payroll to see copies of the Forms and that is when the discrepancies were discovered.
16. Morgan had not seen any of the Forms until payroll showed him at the same time that Fey reviewed the Forms for her accounts.
17. Fey advised Staff that the misappropriation was not noticed for so long because her salary and the Respondent's salary/commission bonus were all lumped together in one amount.
18. Canaccord management met with the Respondent on September 30, 2011. At that time, the Respondent accurately reviewed the US commission process in respect of the manual Forms. The Respondent was then presented with the Forms for the Relevant Period and advised that Morgan did not make enough US commission to warrant the payments to the Repondent. At first the Respondent denied anything but after being advised that further investigation would be required, he broke down and confessed that

he had submitted the Forms as he did because he was financially desperate. He stated that he was very sorry.

19. After that meeting, the Respondent was escorted from Canaccord's premises and his employment was terminated.
20. Canaccord issued a demand letter to the Respondent on October 7, 2011 in the amount of \$40,497.63 but he has not yet repaid any of those monies.
21. In his interview with Staff, the Respondent admitted that he had altered the Forms in respect of Fey's commissions and had prepared completely false Forms in respect of Morgan's commissions. He did this because he was desperate for money to support his family. He also agreed that the foregoing amount set out in the demand letter was about the accurate amount that he misappropriated from Fey and Morgan.

### **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, 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.

**TAKE FURTHER NOTICE** that on June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the IDA and Market Regulation Services Inc. Pursuant to the *Administrative and Regulatory Services Agreement* between the IDA and IIROC, effective June 1, 2008, the IDA has retained IIROC to provide services for the Association to carry out its regulatory functions with respect to the conduct of IDA Members and registrants occurring before June 1, 2008.

### **RESPONSE TO NOTICE OF HEARING**

**TAKE FURTHER NOTICE** that the Respondent must serve upon the Staff of IIROC 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 of the Rules of Practice and Procedure:

- (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 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 the 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; or
- (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 the Member by reason of the contravention;
- (c) suspension of the rights and privileges of the Member (and such suspension may include a direction to the 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 Member from membership in IIROC; or
- (g) any other fit remedy or penalty.

**TAKE FURTHER NOTICE** that if the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by the 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 15<sup>th</sup> day of October, 2012.

**“Warren Funt”**

Warren Funt  
Vice President, Western Canada  
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