

NOTICE / NEWS RELEASE

For immediate release

Enforcement Notice Decision 13-0240

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IN THE MATTER OF David Charles Phillips and John Russell Wilson – Discipline decision – Liability and Penalty

September 25, 2013 (Toronto, Ontario) – Following a disciplinary hearing held on September 16 and 17, 2013, in Toronto, Ontario, a Hearing Panel of the Investment Industry Regulatory Organization of Canada (IIROC), found that David Charles Phillips and John Russell Wilson failed to tell their clients that certain First Leaside Group products were high risk, and failed to consider the suitability of First Leaside Group products for their clients. Phillips and Wilson were also found to have distributed misleading marketing materials for these products to their clients. Phillips also acted in a direct conflict of interest with his clients in connection with the sale of these products.

The Hearing Panel's Order dated September 19, 2013 is available at:

<http://docs.iiroc.ca/DisplayDocument.aspx?DocumentID=6BEFA70B6B974D62AD76F1A671155CF6&Language=en>.

Written reasons will be posted on IIROC's website when available.

The Hearing Panel imposed the following penalty on Mr. Phillips:

- (a) Mr. Phillips is permanently barred from approval with IIROC; and
- (b) Mr. Phillips is ordered to pay a fine in the amount of \$2,000,000.

The Hearing Panel imposed the following penalty on Mr. Wilson:

- (a) Mr. Wilson is permanently barred from approval with IIROC; and
- (b) Mr. Wilson is ordered to pay a fine in the amount of \$500,000.



Mr. Phillips and Mr. Wilson are also required to pay costs in the amount of \$230,000 on a joint and several basis.

IIROC Staff advised the Hearing Panel that it will not seek to enforce the fine or costs against Mr. Phillips or Mr. Wilson until the determination of investor claims through the ongoing Receivership proceedings of various First Leaside related entities.

IIROC formally initiated the investigation into the conduct of Mr. Phillips and Mr. Wilson in November 2011. The violations occurred when Mr. Phillips was the Ultimate Designated Person and both Mr. Phillips and Mr. Wilson were Registered Representatives with First Leaside Securities Inc., an IIROC-regulated firm. The Respondents are no longer registrants with an IIROC-regulated firm.

Specifically, the Hearing Panel found that Mr. Phillips and Mr. Wilson committed the following violations:

Misrepresentation of Fund Products

- i. Between January 2009 and October 2011, Mr. Phillips misrepresented, and allowed First Leaside Securities Inc. (FLSI) sales staff to misrepresent, to clients that the proprietary fund products recommended and sold by the firm were low or medium risk, when, in fact, they were high risk, contrary to Dealer Member Rule 29.1;
- ii. Between January 2009 and October 2011, Mr. Wilson misrepresented to clients that the proprietary fund products which he recommended and sold were low or medium risk, when, in fact, they were high risk, contrary to Dealer Member Rule 29.1;

Marketing Materials

- iii. Between November 2009 and September 2011, Mr. Phillips authorized the preparation and issuance of marketing materials for investment products sold at FLSI, which included statements which were misleading and failed to fairly present the potential risks of those products to the client, and provided these marketing materials to his clients, contrary to Dealer Member Rule 29.7(1);
- iv. Between November 2009 and September 2011, Mr. Wilson provided marketing materials for investment products sold at FLSI to his clients and potential clients, which included statements which were misleading and failed to fairly present the potential risks of those products to the client, contrary to Dealer Member Rule 29.7(1);

Risk Tolerance on NAAF

- v. In and throughout 2009, 2010 and 2011, Mr. Phillips and Mr. Wilson failed to ensure that the recommendations which were made and orders which were accepted were in



accordance with the risk tolerance stated on clients' New Account Application Form, contrary to Dealer Member Rules 1300.1(o), (p) and/or (q);

Sales of Properties Fund

- vi. Between January 1, 2010 and May 1, 2011, Mr. Phillips and Mr. Wilson solicited sales of First Leaside Properties Fund from clients, while failing to ensure that those transactions were suitable for the clients or within the bounds of good business practice, and preferred their own interests ahead of the clients, contrary to Dealer Member Rules 1300.1(o) and (q) and 29.1; and

Conflict of Interest

- vii. Between January 2007 and October 2011, Phillips as the General Partner of certain First Leaside Limited Partnerships ("LPs") was in a conflict of interest with clients who invested in those LPs, which was not addressed in a fair and equitable manner and in a manner that considered the best interests of the clients, contrary to Dealer Member Rule 29.1 and NI 31-103.

Documents related to ongoing IIROC enforcement proceedings – including Reasons and Decisions of Hearing Panels – are posted on the IIROC website as they become available. Click [here](#) to search and access all IIROC enforcement documents.

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IIROC is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. Created in 2008 through the consolidation of the Investment Dealers Association of Canada and Market Regulation Services Inc., IIROC sets high quality regulatory and investment industry standards, protects investors and strengthens market integrity while maintaining efficient and competitive capital markets.

IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of dealer firms and their registered employees and through setting and enforcing market integrity rules regarding trading activity on Canadian equity marketplaces.

IIROC investigates possible misconduct by its member firms and/or individual registrants. It can bring disciplinary proceedings which may result in penalties including fines, suspensions, permanent bars, expulsion from membership, or termination of rights and privileges for individuals and firms.

All information about disciplinary proceedings relating to current and former member firms is available in the [Enforcement section](#) of the IIROC website. Background information regarding the qualifications and disciplinary history, if any, of advisors currently employed by IIROC-

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regulated firms is available free of charge through the [IIROC AdvisorReport](#) service. Information on how to make investment dealer, advisor or marketplace-related complaints is available by calling 1 877 442-4322.

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