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Discipline

IDA Hearing Panel finds Jean-Louis Trudeau guilty of failing to act as gatekeeper

Person Disciplined A Hearing Panel appointed pursuant to IDA By-law 20 has found Jean-Louis Trudeau, at the material time, an approved person at the head office of MacDougall, MacDougall & MacTier Inc., an IDA Member firm in Montréal, guilty of violating Association Regulations 1300.1 (a) and 1300.1 (b).

By-laws, Regulations or Policies Violated In a written decision dated December 12, 2006, the Hearing Panel ruled that Mr. Trudeau failed to use due diligence to ensure that the acceptance of orders for the accounts of four clients was within the bounds of good business practice, contrary to IDA Regulation 1300.1 (b).

Furthermore, the Hearing Panel finds Mr. Trudeau guilty of failing to use due diligence to ensure that he learned the essential facts relative to four clients, and to every order or account accepted, contrary to IDA Regulation 1300.1 (a).

Penalties Assessed The penalties imposed against Jean-Louis Trudeau will be determined at a penalty hearing to be set at a future date.

Summary of Facts For the period between February 2003 and May 2004, in respect of Regulation 1300.1 (b), the Hearing Panel finds that Jean-Louis Trudeau made no effort to determine whether insider trading or the use of privileged information was involved, whereas the evidence showed that he knew or believed that three clients were acting in concert, that he knew or believed that one of his clients, an insider in

several mining companies, had advised two other clients regarding stock trades in said mining companies.

In finding Mr. Trudeau guilty of the first count, the Hearing Panel recalled the crucial role of the participants in the securities industry, who contribute, by their actions, to the honesty of the system, by not willingly turning a blind or indifferent eye to the lapses or to the conduct of their clients, and by questioning the dubious actions of some of them.

The Hearing Panel noted that the facts witnessed by Mr. Trudeau could constitute a sign of illegal or suspicious conduct, but that there was no reason to rule on the legality of the framework within which these facts occurred, nor was it their place to do so, moreover.

Moreover, for the period between June 2001 and May 2004, the Hearing Panel found that Mr. Trudeau had neglected to identify the clients in accordance with the guidelines published by the IDA relative to the proceeds of crime (money laundering) legislation, preferring to ignore all of the facts that required him to communicate with his clients to obtain the necessary information regarding their identity, their assets and the ties that connected them.

Furthermore, the Hearing Panel decided to drop the third count and to find Mr. Trudeau not guilty of this charge. This count alleged that, between November 2002 and May 2004, Mr. Trudeau failed to question his client F.D. or to verify his status as an insider of Melkior Resources Inc. and Big Red Diamond Corporation, given the transactions effected in the accounts of F.D. and in the accounts of his clients R.H., C.M. and H.V., who were referred to the Respondent by F.D., contrary to Association Regulations 1300.1 a) and 1300.1 b).

The Hearing Panel considered the evidence to have shown that although Mr. Trudeau had not updated the account application form when he learned that F.D.'s status in Melkior Resources Inc. and Big Red Diamond Corporation was that of an insider, he had recorded the information on every order for the sale of stock in these companies.

Concerning the fourth count stipulated in the Notice of Hearing, the Hearing Panel accepted its withdrawal at the request of the Association at the start of the hearing.

The full text of the Hearing Panel's liability ruling is available on the IDA web site.

Kenneth A. Nason
Association Secretary