

NOV 29 2018

IN THE MATTER OF:

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

**AND**

**DOUGLAS JOHN ELEY**

**NOTICE OF HEARING**

An initial appearance (“Initial Appearance”) will be held before a hearing panel (“Hearing Panel”) of the Investment Industry Regulatory Organization of Canada (“IIROC”) pursuant to Sections 8203 and 8205 of the Consolidated Enforcement, Examination and Approval Rules of IIROC in this matter. The purpose of the Initial Appearance is to schedule a hearing (“Hearing”).

The Initial Appearance will be held on: January 18, 2019 at 10:00 a.m.

The Initial Appearance will be held at: IIROC – British Columbia Room  
121 King Street West, Suite 2000  
Toronto, ON

The Respondent must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated November 22, 2018 (“Statement of Allegations”) in accordance with Section 8415 within 30 days from the effective date of service of this Notice of Hearing.

If the Respondent does not file a Response in accordance with Section 8415(1), the Initial Appearance may be immediately converted to a Hearing.

If the Respondent files a Response in accordance with Section 8415(1), the Initial Appearance will be immediately followed by an initial prehearing conference. In preparation for the prehearing conference, the Respondent must serve and file a prehearing conference form in accordance with Section 8416(5).

The purpose of the Hearing will be to determine whether the Respondent has committed the contraventions that are alleged by the staff of IIROC (“Staff”). The alleged contraventions are contained in the Statement of Allegations.

Pursuant to Section 8409, the Hearing will be conducted as a[n]:

- Oral Hearing
- Electronic Hearing
- Written Hearing

The Initial Appearance, the Hearing and all related proceedings will be subject to the Rules of Practice and Procedure as set out in Section 8400.

Pursuant to the Rules of Practice and Procedure, the Respondent is entitled to attend the Hearing and to be heard, to be represented by counsel or by an agent, to call, examine and cross-examine witnesses, and to make submissions to the Hearing Panel at the Hearing.

If the Respondent fails to serve a Response at the Hearing the Hearing Panel may, pursuant to Section 8415(4):

- (a) proceed with the hearing as set out in this Notice of Hearing, without further notice to the Respondent;
- (b) accept as proven the facts and contraventions set out by Staff in the Statement of Allegations; and
- (c) order sanctions and costs against the Respondent pursuant to IROC Dealer Member Rules 20.33.

If the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by Staff in the Statement of Allegations, the Hearing Panel may, pursuant to IROC Dealer Member Rules 20.33, impose any one or more of the following sanctions:

**Where the Respondent is/was a Regulated Person who is not a Dealer Member:**

- (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 the person, directly or indirectly, as a result of the contravention.

- (c) suspension of the person's approval for any period of time and on any terms and conditions;
- (d) imposition of any terms or 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 to approval with the Corporation; or
- (i) any other fit remedy or penalty.

If the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by the Staff in the Statement of Allegations, the Hearing Panel may assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances pursuant to IIROC Dealer Member Rule 20.49.

**DATED** this 29<sup>th</sup> day of November, 2018.



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NATIONAL HEARING COORDINATOR  
Investment Industry Regulatory Organization of Canada  
Suite 2000, 121 King Street West  
Toronto, Ontario, M5H 3T9

**IN THE MATTER OF:**

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

**AND**

**DOUGLAS JOHN ELEY**

**STATEMENT OF ALLEGATIONS**

Further to a Notice of Hearing dated November 22, 2018, Enforcement Staff make the following allegations:

**PART I - REQUIREMENTS CONTRAVENED**

Between May 2015 and November 2015, the Respondent altered previously signed client documents, contrary to Dealer Member Rule 29.1.

**PART II – RELEVANT FACTS AND CONCLUSIONS**

**Overview**

1. The Respondent altered important client documents after these had been signed by clients. These documents included investment management agreements which set out the parameters pursuant to which he would make investments on their behalf. He also retained pre-signed mutual fund trade tickets which were or could have been used to effect trades in client accounts.

## **Background**

2. The Respondent has been registered as a Registered Representative (“RR”) at various times since 2004. Between September 2006 and April 2013, he was registered as a RR with Macquarie Private Wealth Inc. (formerly Blackmont Capital Inc.). He was also registered as a Portfolio Manager with Macquarie from September 2009 to April 2013 at which time he ceased to be a registrant.
3. In May 2013, he joined Chippingham Financial Group, a Dealer Member, in an unregistered capacity. Specifically, he became an assistant to another RR (the “Other RR”) who took primary carriage of most of his former client files (the “Former Clients”). While at Chippingham, the Respondent received a referral fee for Former Clients who transferred their accounts to Chippingham, but received no other compensation from Chippingham for securities related business.
4. In March 2015, the Respondent joined a Burlington, Ontario branch of Echelon Wealth Partners Inc. (“Echelon”), a Dealer Member, in an unregistered capacity. Again, the Respondent was working as an assistant to the Other RR who had carriage of his Former Clients’ accounts.
5. On or around April 2, 2015, the Respondent applied to re-activate his registration with IIROC.
6. On May 19, 2015, the Respondent became re-registered as an RR with Echelon and on May 28, 2015 he became registered as a Portfolio Manager. He reassumed carriage of his Former Clients’ accounts and the Other RR became his assistant. The Other RR subsequently ceased to be registered as an RR and became registered as an Investment Representative (IR).

## **Altering Client Documents**

7. Beginning in March 2015, the Respondent and or the Other RR began providing account documentation (“Account Documentation”) to clients. The Account Documentation was required to facilitate the transfer of the Respondent’s former clients from Chippingham to Echelon, and subsequently from the Other RR to himself. The Account Documentation also included forms required to allow the former clients to open portfolio managed accounts with the Respondent.
8. In several cases, the clients provided signed, electronic copies of the Account Documentation via email to the Respondent and/or the Other RR. Upon receipt of these emails, the Respondent made certain changes to the Account Documentation prior to submitting it to his firm to be processed.
9. Specifically, on multiple occasions the Respondent changed the date on which the clients purportedly signed the Account Documentation. He then submitted these altered documents to his firm.
10. As a result, the dates which ultimately appear as the client signature dates on the Account Documentation are not accurate.
11. In addition, on some occasions the Respondent completed the fee schedule after the clients had signed the Account Documentation. On one occasion, the Respondent added client objectives and risk tolerances after the Account Documentation had been signed by the client.

## **Re-used Switch Tickets**

12. The Respondent maintained previously signed mutual fund switch tickets to facilitate transfers of 10% free units from the deferred sales charge (“DSC”) version of a fund to the front end load (“FE”) version of the same fund. He photocopied or amended signed switch tickets and

re-used them for future transactions instead of obtaining a newly signed switch ticket from his clients.

13. Some of the switch tickets appear to have been from the Dealers where the Respondent had previously worked, but with new Echelon letterhead and updated instructions superimposed on the amended switch ticket.

14. These switch tickets were either: 1) provided to the mutual fund companies to effect the transactions in client accounts; 2) were submitted to Echelon as evidence of client instruction; or 3) were kept in client files as evidence of client instruction. In any event, the clients did not sign each of these switch tickets.

**DATED** at Toronto, Ontario, this 22 day of November, 2018.