



bulletin



Contact:
Douglas Walker
Chief Enforcement Counsel
(416) 943-6909

For distribution to relevant parties within your firm

BULLETIN # 2549
January 11, 1999

Discipline

Discipline Penalties Imposed on Michel Grenier – Violation of Regulations 100.8(g)(i), 200.1(g)(5) 200.1(i)(1), 200.1(i)(3), 800.1, 1300.1(a), (b) and (c), 1300.4, 1300.17; 1800.11, 1800.11(iv) and By-laws 17.3, 18.5, 20.10(a), 29.1 and 29.7.

Person Disciplined The Quebec District Council of the Investment Dealers Association of Canada has imposed discipline penalties on **Michel Grenier**, at the relevant time a registered representative and registered options representative in the Baie Comeau sub-branches of Levesque Beaubien Geoffrion Inc. ("Levesque Beaubien") and Marleau Lemire Securities Inc. ("Marleau Lemire").

By-laws, Regulations, Policies Violated On November 23, 1998 the District Council considered, reviewed and accepted a settlement agreement that had been negotiated by the Association Enforcement Division staff with Mr. Grenier. Pursuant to the settlement agreement Mr. Grenier admitted that:

- A. While employed as a registered representative and registered options representative in the Baie-Comeau, Quebec sub-branch office of Levesque Beaubien from January 1989 to April 1994:
- he exercised discretionary authority to effect trades in the accounts of ten clients without prior written authorization contrary to Regulation 1300.4;
 - he failed to use due diligence to ensure that recommendations for ten clients' accounts were appropriate for the clients and in keeping with their investment objectives contrary to Regulation 1300.1(c);
 - he gave a client a guarantee against loss and in February 1993 and March 1994 he gave the client securities pursuant to the guarantee against loss thereby engaging in conduct unbecoming a registered representative, contrary to By-law 29.1;
 - he accepted orders from a client for a margin account without having obtained a signed Margin Agreement from the client contrary to Regulation 100.8(g)(i) and was thereby in violation of By-law 17.3;

- he failed to learn the essential facts relative to his client by overstating his client's net worth on the New Account Application Form, contrary to Regulation 1300.1(a);
- he engaged in conduct unbecoming a registered representative by misrepresenting to his Member that he had witnessed the signature of clients on Option Account Agreements, contrary to By-law 29.1;
- he engaged in conduct unbecoming by transferring funds from a client's account to the account of the client's husband using a forged letter of authorization, contrary to By-law 29.1;
- he engaged in conduct unbecoming a registered representative by making unauthorized trades to and from client RRSP and margin accounts with respect to three clients, contrary to By-law 29.1;
- he accepted orders for futures contracts and futures options contracts with respect to a client account from someone other than the client and failed to identify the third party on the order ticket, contrary to Regulation 1800.11(iv) and Regulation 200.1(g)(5);
- he attempted to misappropriate client funds by counselling his sales assistant to forge the client's signature on an authorization to transfer funds from the client's account to Mr. Grenier's personal account, thereby engaging in conduct unbecoming contrary to By-law 29.1;
- he failed to give an order for a client account priority over an order for an account in which he had an interest contrary to Regulation 1300.17;
- he failed to disclose to his Member that he had a beneficial interest in three of his clients' accounts, contrary to Regulation 200.1(i)(1);
- he engaged in conduct unbecoming a registered representative by failing to mark order tickets for two client accounts in which he had a beneficial interest as "non-client", contrary to By-law 29.1;
- he failed to disclose on the order tickets for trades in two client accounts that the instructions for the orders were being placed by a third party, contrary to Regulation 200.1(g)(5);
- he made delivery of securities from a client account without the authorization of the client, contrary to Regulation 200.1(g)(5);
- he engaged in conduct unbecoming a registered representative by effecting trades between two accounts in a security listed on the Montreal Exchange without a change in beneficial ownership, contrary to By-law 29.1;
- he engaged in conduct unbecoming a registered representative by effecting trades between two accounts in a security listed on the Vancouver Stock Exchange without a change in beneficial ownership, contrary to By-law 29.1;
- he advertised to the public without the prior approval of the partner, director, officer or branch manager designated by the Member as being responsible for advertising material, and which advertisement omitted material facts, failed to identify material assumptions, failed to include the words "Member of CIPF" and was detrimental to the public interest, contrary to By-law 29.7; and

B. While employed as a registered representative and registered options representative in the Baie-Comeau, Quebec sub-branch office of Marleau Lemire from April 1994 to May 1996 :

- he exercised discretionary authority to effect trades in the accounts of clients without prior written authorization contrary to Regulation 1300.4;
- he failed to use due diligence to ensure that recommendations for clients' accounts were appropriate for the clients and in keeping with their investment objectives contrary to Regulation 1300.1(c);
- he advertised to the public without the prior approval of the partner, director, officer or branch manager designated by the Member as being responsible for advertising material, and which advertisement omitted material facts, failed to identify material assumptions, failed to include the words "Member of CIPF" and was detrimental to the public interest, contrary to By-law 29.7;
- he carried on other gainful employment than as a registered representative without authorization from the Quebec Securities Commission, and without the Member acknowledging in writing to the Association its supervisory responsibility, without the Member establishing and maintaining procedures approved by the Association to ensure continuous service to clients and to address potential conflicts of interest, contrary to By-law 18.5;
- he sold securities to his clients in the name of his Member firm without recording the transactions in the books of the Member, and without causing confirmation statements or monthly account statements reflecting these transactions to be sent to the clients, contrary to Regulation 200;
- he engaged in conduct unbecoming a registered representative by failing to comply with conditions of approval/registration imposed by the Vancouver Stock Exchange prohibiting him from holding certain offices with a Member firm for a period of 12 months, contrary to By-law 20.10(a);
- he engaged in conduct unbecoming a registered representative by signing an agreement with his clients with intent to illegally take advantage of the prospectus exemption provided by section 51 of the Quebec Securities Act, contrary to By-law 29.1;
- he carried out transactions for clients without having completed and had approved by the Member firm, a New Account Application Form for each client, contrary to Regulation 1300.1(a), (b) & (c);
- he dealt in a personal account for an employee of another Member without the written consent of a director or partner of the other Member, contrary to Regulation 800.11; and,
- he failed to maintain minimum records as required; in particular records of instructions for the purchase and/or sale of securities in client accounts given by a third party, the name and address of the beneficial owner of client accounts, and written authorization from clients to accept orders for their accounts from a third party, contrary to Regulation 200.1(g)(5) & 200.1(i)(3).

Penalty Assessed The discipline penalty assessed against Mr. Grenier is a fine in the amount of \$50,000, and a permanent bar from acting in any capacity with any Member of

the Association. In addition, Mr. Grenier is required to pay \$19,000.00 toward the Association's costs of investigation of this matter.

Summary
of Facts

Mr. Grenier was first approved as a registered representative on September 17, 1986, and as an options representative on February 9, 1988 while employed with Levesque Beaubien. He worked in the Baie-Comeau sub-branch office of Levesque Beaubien until April 26, 1994 when he was asked to resign.

Beginning in 1990, on several occasions Mr. Grenier bought up large quantities of a given security without orders and then allocated them among several different client accounts without client authorization and without first determining whether the securities were suitable given the clients' stated investment objectives. Also on several occasions, he traded to margin maximums in client accounts and, when he received a margin call, switched falling stocks for more stable stocks from client RRSP accounts. In this way he increased the available margin which permitted him to continue to trade and generate commissions. In several cases, he had not discussed investment objectives with his clients and had opened accounts without the necessary documentation in place. Also in several cases, he held undisclosed interests in client accounts and through those accounts, gave himself priority as to price in the purchase of certain shares.

In respect of one client, on December 2, 1992, Mr. Grenier offered a written guarantee against losses in the amount of \$9,000. In February 1993 and March of 1994, in satisfaction of the written guarantee, Mr. Grenier authorized the transfer of shares from an account in which he had an undisclosed personal interest into the account of the client to whom he had offered the guarantee, again in satisfaction of the terms of his written guarantee. In respect of that same client, Mr. Grenier opened an options account with a \$100,000 overestimate of the client's net worth. In that client's margin account, he also effected speculative trades knowing there were insufficient funds available to cover the trade.

Mr. Grenier also caused advertizing to appear in a local newspaper that had not been authorized by the designated individual of the Member firm and that left out material facts, failed to identify material assumptions, failed to include the words "Member of

CIPF" and that was detrimental to the public interest.

After being asked to resign from Levesque Beaubien, Mr. Grenier was approved as a registered representative and options representative on May 17, 1994 with Marleau Lemire under strict supervision by order of the Quebec District Council dated June 2, 1994. He was dismissed for cause from Marleau Lemire on April 2, 1996.

During the term of his employment with Marleau Lemire Mr. Grenier committed a number of violations of the Regulations and By-laws of the Association.

He caused advertizing to appear in a local newspaper that had not been authorized by the designated individual of the Member firm and that left out material facts, failed to identify material assumptions, failed to include the words "Member of CIPF" and that was detrimental to the public interest.

On several occasions, he sold securities to clients by way of private placement and failed to record these transactions on the books of the Member or to provide

clients with confirmations or monthly statements disclosing these trades. Also, he transacted on behalf of several clients without ever having opened accounts in their names. Further, he traded in shares in which he was restricted from trading by the Vancouver Stock Exchange.

Also during his period of employment at Marleau Lemire, he had clients sign an agency agreement in the purchase of a block of shares in order to illegally circumvent the provisions of the Quebec Securities Act.

In December of 1995, Mr. Grenier also opened two accounts in the names of the wife and father of an employee of another Member firm, without assigning the accounts "pro" designations, without disclosing to the employer Member firm that he was opening these accounts and without disclosing on the account opening documentation that the employee had referred these clients to him. He proceeded to conduct trades in those accounts without assigning the trades a "pro" designation.

For details of discipline penalties imposed on Marleau Lemire in relation to this matter, please see Bulletin No. 2550, January 11, 1999. Disciplinary proceedings remain outstanding against Levesque Beaubien Securities Inc. and its supervisory personnel, and against the supervisory personnel formerly at Marleau Lemire.

Lyn M. Gilchrist
Association Secretary