



INVESTMENT DEALERS
ASSOCIATION OF CANADA

bulletin



ASSOCIATION CANADIENNE DES
COURTIERS EN VALEURS MOBILIÈRES

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For distribution to relevant parties within your firm

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Discipline Discipline Penalties Imposed on Jean Laroche – Violations of By-law 29.1

Person Disciplined The Quebec District Council of the Investment Dealers Association (“the Association”) has imposed discipline penalties on Jean Laroche who, at the relevant time, was a Registered Representative at the Quebec City branch office of BMO Nesbitt Burns Inc., a Member of the Association.

By-laws, Regulations, Policies Violated On June 1, 2004, the Quebec District Council considered, reviewed and accepted a Settlement Agreement negotiated between Mr Laroche and Staff of the Association.

Pursuant to the Settlement Agreement, Mr Laroche admitted that, on or about August 5, 2002, he engaged in business conduct or practice unbecoming a registrant, contrary to By-law 29.1, in that:

- on the information update form to a client’s account agreement, he changed the client’s investment objectives and risk tolerance as indicated on the initial account agreement signed by the client, without the client’s knowledge and consent;
- he forged the client’s signature on the information update form to the account agreement.

Penalty Assessed The discipline penalties assessed against Mr Laroche consist of:

- a fine in the amount of \$25,000;
- a prohibition on approval for a period of twelve (12) months effective as of the termination of his employment;
- as a condition of re-approval by the Association, re-write and pass the examination based on the *Conduct and Practice Handbook* administered by the Canadian Securities Institute; and

any re-approval to be conditional upon strict supervision for a period of twelve (12) months.

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Mr Laroche is also required to pay the costs of the Association's investigation and prosecution in this matter in the amount of \$5,000.

In determining the appropriate penalties to assess, the Quebec District Council took into consideration certain mitigating circumstances that are specific to this case but also considered the seriousness of the offence and the general deterrent effect of the penalty to signal that such conduct will not be tolerated.

As regards the prohibition on approval imposed upon Mr Laroche, it was deemed, as Mr Laroche's employment had been terminated since these events, that the penalty should be considered as having been served.

Summary of Facts

Between February 2001 to October 2002, the market value of a number of securities held in his client's account deteriorated significantly although no new trades in securities were made in the account. As a result, the account's asset mix in terms of percentage allocated to each investment category comprising the portfolio was no longer consistent with the investment objectives and strategy initially agreed upon with the client upon opening the account in August 2000.

As a result of this difference, Mr Laroche was instructed by his superior to review his client's investment objectives with her with respect to her portfolio.

Without communicating with his client, Mr Laroche completed an information update form to the client account agreement, on which he changed the client's investment objectives and the asset mix strategy designed to meet these objectives. He forged his client's signature on the form and countersigned in his capacity as representative.

Mr Laroche admitted his acts shortly thereafter and expressed regret for his conduct. He fully collaborated with the investigation and prosecution by the Association.

Mr Laroche is no longer registered in the employ of a member of the Association since the termination of his employment with BMO Nesbitt Burns Inc. in October 2002.

Kenneth A. Nason
Association Secretary