INVESTMENT DEALERS ASSOCIATION OF CANADA

bulletin

ASSOCIATION CANADIENNE DES COURTIERS EN VALEURS MOBILIÈRES

Contact: *For distribution to relevant parties within your firm*

Sylvie Poirier
Enforcement Counsel
(514) 878-2854

BULLETIN #3548
June 1, 2006

Discipline

Discipline Penalties Imposed on Sylvie Brunet – Violation of By-law 29.1

Person Disciplined

A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on Sylvie Brunet, at all material times a person approved in the capacity of Vice-President and Registered Representative, Options at the Granby branch of Merrill Lynch Canada Inc, an IDA member firm, and subsequently, a Registered Representative, Options at the Cowansville branch of RBC Dominion Securities Inc., also an IDA member firm.

By-laws, Regulations, Policies Violated

- On April 4, 2006, the Hearing Panel examined a settlement agreement negotiated between the Association's Enforcement Department and Ms. Sylvie Brunet. For the reasons outlined in its decision rendered on April 18, 2006, the Hearing Panel decided to accept the settlement agreement.

- Under the terms of this settlement agreement, Ms. Sylvie Brunet has admitted that she engaged in conduct unbecoming and contrary to Association By-law 29.1 in that :

- In December 1998, she placed herself in a conflict of interest and acted imprudently towards her client SB by allowing the latter to entrust a sum of $130,000 to a personal friend of Ms. Brunet, a registered representative with another investment dealer, without completing any formalities to evidence in writing the nature and terms and conditions of this investment or loan, in particular with respect to the agreed return;

- In March 2002, she placed herself in a conflict of interest

without informing her employer, by acting as intermediary between her client SB and her friend VF to obtain from the latter an acknowledgment of debt for a sum of $130,000 obtained from the Respondent's client and held by him since 1998;

- During the period of August to October 2001, she acted imprudently and in a careless manner with her friend VF, when she allowed her personal bank account to be used by her friend VF on a number of occasions to effect questionable financial transactions, without exercising the vigilance expected of a financial industry professional to make sure that these transactions were for lawful purposes or to check the source and destination of the funds exchanged or cashed through her or transiting through her bank account;

- In March 2002, she placed herself in a conflict of interest by obtaining from her client TB the sum of $40,000, which the client withdrew from her account at RBC. The Respondent then lent this sum personally to her friend VF for an off-book investment. She acted negligently and imprudently towards her client by facilitating this off-book investment without conducting any checks or even wishing to know how VF was going to provide her client with the agreed return, and without conducting any formalities to evidence in writing the existence, nature and the terms and conditions of this investment;

- In March 2002, she failed to display the prudence expected of an investment professional by personally effecting an off-book investment of $100,000 with her friend VF, which was to bring her a high return, superior to any she could otherwise obtain, without questioning or wanting to know the exact nature of this investment, nor how VF was going to provide her with the agreed return, and without obtaining anything in writing to evidence the existence, nature and terms and conditions of this investment;

- She failed to inform her employer and obtain its authorization before effecting, through a registered representative with another investment dealer, a personal off-book investment of $140,000, which included a sum of $40,000 obtained from her client TB for this purpose;

- In May 2003, during an interview conducted pursuant to Association By-law 19.5, she gave the Association investigator an answer that she knew or should have known was inaccurate.

Penalties Assessed

The following penalties were assessed on Ms. Brunet :

- prohibition of approval in any capacity with an IDA member firm, for a period of twelve (12) years; and
- payment of a fine of $5,000.00

Summary of Facts

Failure in Duty to Be Prudent and Conflict of Interest with a Client

In December 1998, while in the employ of Merrill Lynch Canada Inc., an IDA member, the Respondent met with her client SB and VF, a registered representative with another investment dealer, at her home. At this meeting, SB entrusted the sum of $130,000 to VF, as a loan or investment that was supposed to give her a high return.

The Respondent did not require VF to give SB anything in writing to record the existence and terms and conditions of this loan or investment, nor did she advise SB to demand of VF that the loan or investment be recorded in writing. No client account was opened for SB by VF at the investment dealer where he was employed.

It was only in March 2002 that she asked VF to acknowledge in writing owing her client SB the sum of $130,000$ which he received from her in 1998 and for which SB had still not received any written confirmation.

Careless Banking Transactions

Between December 1998 and October 1999, the Respondent personally received from VF sums totalling over $91,000.

On August 6, 2001, the Respondent appeared at her bank branch with a bank draft made out to her in the amount of US$50,000 and drawn on an offshore account. She requested that the draft made out to her be replaced with a new draft for the same amount, this time made out to VF, which she then gave to the latter.

The same day, she received and deposited into her bank account a cheque for $5,500, and another for $5,000, both made out to her by VF, and withdrew a sum of $5,000 cash which she gave to VF. She has claimed that she did not know why she received these sums from VF, nor why he wanted $5,000 in cash.

Three days later, she received and deposited another cheque made out to her by VF, in the amount of $7,800, and another in the amount of $40,000 on September 21, 2001.

On October 4, 2001, the Respondent went to the counter of her bank

branch to cash a $50,000 cheque drawn on VF's bank account. She then gave the $50,000 cash to VF. The same day, she deposited into her bank account a cheque for $10,000 made out to her by VF. She has claimed that she did not know why VF had to have $50,000 in cash, or why VF gave her $10,000 the same day.

Failure in Duty to Be Prudent - Conflict of Interest – Undisclosed Personal Financial Transactions

On March 14, 2002, the Respondent personally gave VF a personal cheque made out to him in the amount of $9,000, for off-book investment purposes, without the knowledge or consent of RBC.

On March 25, 2002, the Respondent obtained from her client TB the sum of $40,000, which the latter withdrew from her RBC account and gave to the Respondent, for the purpose of an off-book investment to be made through the intermediary of the Respondent. The same day, she went to her bank branch to have a bank draft issued to VF in the amount of $131,000, which she obtained in consideration of the following instruments: a cheque from client TB from the withdrawal of $40,000 from the latter's RBC account; a cheque in the amount of $89,219.63 made out to the Respondent from an "offshore" account; and a $1,780.37 withdrawal from the Respondent's bank account. The $131,000 bank draft thus obtained by the Respondent was given to VF.

In all, on March 14 and 25, 2002, the Respondent gave VF, as an investment or loan, a total of $140,000, including the $40,000 she obtained from her client TB.

According to the Respondent, through this investment or loan to VF, she was going to procure her client a much better return than the latter's investments at RBC, even high enough to significantly improve her client's lifestyle, a pensioner afflicted by illness and having limited financial resources. At the time, she had no idea, nor did she want to know, how the sums entrusted to her friend VF were going to be invested or used, nor for what purpose they were going to serve. At the time her client entrusted her with the $40,000.00 withdrawn from her RBC account, the client's investment goals were defined as very conservative and her risk tolerance as low.

The investment or loan that the Respondent gave to VF, in the amount of $40,000, belonging to her client TB, was not evidenced in writing and the client was given no documents to confirm its existence, nature or terms and conditions. There was no maturity date set for this investment or loan, and no written agreement on the part of VF towards her client TB regarding the reimbursement or remittance of the invested or loaned capital.

The Respondent had rather asked VF to sign her an acknowledgment of debt for $140,000 in the event of death. The document made no

reference to the portion of this sum, namely $40,000, belonging TB. On this point, the Respondent claimed that she herself had acted as guarantor for the client for the $40,000 given to VF, preferring that TB not have to deal directly with VF.

Inaccurate answers to the Association investigator

On or around May 14, 2003, while she was interviewed by an Association investigator, the Respondent provided inaccurate information in response to questions asked by the investigator, as to whether she had ever been the subject of customer complaints.

Kenneth A. Nason
Association Secretary