

IN THE MATTER OF:

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

AND

JEFFREY SCOTT RUTLEDGE AKA JEFF RUTLEDGE

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 IIROC Rule 8200. The purpose of the Initial Appearance is to schedule a hearing (“Hearing”).

The Initial Appearance will be held on: May 26, 2022 at 10 a.m.

The Initial Appearance will be held: Via Videoconference

The Respondent, Jeffrey Scott Rutledge, must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated March 15, 2022 (“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 subsection 8415(1), the Initial Appearance may be immediately converted to a Hearing.

If the Respondent files a Response in accordance with subsection 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 subsection 8416(5).

The purpose of the Hearing will be to determine whether the Respondent has committed the contraventions that are alleged by Enforcement Staff. The alleged contraventions are contained in the Statement of Allegations.

Pursuant to section 8409, the Hearing will be conducted as an electronic hearing by videoconference.

The Respondent may object to the form of the Hearing. The objection must be made in accordance with Section 8409.

The Initial Appearance, the Hearing and all related proceedings will be subject to the *Rules of Practice and Procedure* as set out in IIROC Rule 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 subsection 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 sections 8210 and 8214 and/or Dealer Member Rules 20.33 and 20.49.

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 section 8210 and/or Dealer Member Rule 20.33, impose any one or more of the following sanctions:

- (a) a reprimand;
- (b) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention;
- (c) a fine not exceeding the greater of:
 - (i) \$5,000,000 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.

- (d) suspension of the person's approval or any right or privilege associated with such approval, including access to a Marketplace, for any period of time and on any terms and conditions;
- (e) imposition of any terms or conditions on the person's continued approval or continued access to a Marketplace;
- (f) prohibition of approval in any capacity, for any period of time, including access to a Marketplace;
- (g) revocation of approval;
- (h) a permanent bar to approval in any capacity or to access to a Marketplace;
- (i) permanent bar to employment in any capacity by a Regulated Person, and
- (j) any sanction determined to be appropriate under the circumstances.

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 section 8214 and/or Dealer Member Rule 20.49.

DATED this 15th day of March, 2022.

<< NATIONAL HEARING OFFICER >>

NATIONAL HEARING OFFICER

Investment Industry Regulatory Organization of Canada

Suite 2000, 121 King Street West

Toronto, Ontario, M5H 3T9

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STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated March 15, 2022, Enforcement Staff make the following allegations:

PART I – REQUIREMENTS CONTRAVENED

Contravention 1

Between August 2016 and October 2018, the Respondent, Jeffrey Scott Rutledge (Rutledge) misappropriated funds from the joint account of his clients RS and SS, contrary to Dealer Member Rule 29.1 (prior to September 1, 2016) and/or Consolidated Rule 1400.

Contravention 2

Between July 2017 and July 2018, Rutledge misappropriated funds from the account of his client SB Inc., contrary to Consolidated Rule 1400.

Contravention 3

In November 2020, Rutledge failed to cooperate with IIROC Staff who were conducting an investigation, contrary to Consolidated Rule 8100.

PART II – RELEVANT FACTS AND CONCLUSIONS

Overview

1. Between August 2016 and July 2018, Rutledge carried out unauthorized wire transfers that resulted in the transfer of approximately \$1,790,914 (CAD) and \$255,605 (USD) from the investment accounts of clients. The clients were not aware of the transfers and they did not receive any benefit from them.
2. Further, in November 2020, Rutledge failed to attend his IIROC investigatory interview.

Rutledge's Registration History

3. In or around March 1981, Rutledge began working in the securities industry.
4. In August 2012, Rutledge began working at the Vancouver head office of PI Financial Corp. ("PI Financial") as a Registered Representative (Securities, Retail).
5. On November 21, 2018, PI Financial terminated Rutledge's employment for cause. Rutledge has not been registered with IIROC since then.

Unauthorized Wire Transfers from the Joint Account of RS and SS

6. RS and SS are a married couple.
7. In or around November 1999, RS and SS opened up a joint investment account at PI Financial (the S Account).
8. At all material times, Rutledge was the Registered Representative who was responsible for the S Account.

9. Between August 2016 and October 2018, Rutledge caused to be submitted approximately 22 wire instructions forms to PI Financial, which resulted in the wire transfer of approximately \$1,614,723 (CAD) and approximately \$255,605 (USD) from the S Account to third parties (the “S Wire Transfers”).
10. The date, amount, and recipient of each of the S Wire Transfers are set out in Schedule “A”.
11. Each of the wire instructions forms appear to bear:
 - the signature of the client RS; and
 - Rutledge’s signature verifying that he had verbally confirmed the wire instructions with the client RS.
12. In actual fact, RS had not signed the wire instructions forms or given verbal approval for any of the S Wire Transfers.

Recipients of Wire Transfers from the S Account

13. On October 31, 2016, Rutledge and his wife purchased a property in the Okanagan region of British Columbia (the “Okanagan Property”).
14. On October 20, 2017, a permit was issued to demolish the home on the Okanagan Property.
15. On August 7, 2018, a permit was issued to build a new mobile/manufactured home on the Okanagan Property (the “Building Permit”).

16. Some of the recipients of the S Wire Transfers appear to be connected to the Okanagan Property as follows:
- \$896,282.97 (CAD) was wire transferred to an Okanagan area law firm that, among other things, practiced real estate law;
 - \$80,000 (CAD) was wire transferred to an Okanagan general contractor that is listed on the Building Permit; and
 - \$413,510 (CAD) was wire transferred to a modular home manufacturer.
17. Further, some of the recipients of the S Wire Transfers are connected to, or are a member of, Rutledge's family, as follows:
- \$100,000 (CAD) was transferred to a private company for which a member of Rutledge's family was an executive;
 - \$62,605.05 (CAD) was wire transferred to the estate of the father of Rutledge's wife; and
 - \$16,300 (CAD) was transferred to a member of Rutledge's family

RS & SS Discover the Unauthorized Wire Transfers

18. In November 2018, RS discovered that funds had been transferred out of the S Account. As a result, RS and SS informed PI Financial that without their knowledge or authorization, funds had been transferred to parties that were unknown to them and that they had not received any financial benefit from the transfers.

Unauthorized Wire Transfers from the SB Inc. Account

19. SB Inc. is a British Columbia corporation that is in the investment consulting business.

20. In or about December 1994, SB Inc. opened an investment account at PI Financial (the "SB Inc. Account").
21. At all material times, Rutledge was the Registered Representative who was responsible for the SB Inc. Account.
22. Between July 2017 and July 2018, Rutledge submitted approximately 13 wire instructions forms to PI Financial, which resulted in the transfer of approximately \$176,190.50 (CAD) from the SB Inc. Account to third parties (the "SB Inc. Wire Transfers").
23. The date, amount, and recipient of each of the SB Inc. Wire Transfers are set out in Schedule "B".
24. Each of the wire instructions forms appear to bear:
 - the signature of the client JMK, President of SB Inc.; and
 - Rutledge's signature verifying that he had verbally confirmed the wire instructions with the client JMK.
25. In actual fact, JMK had not signed the forms or given verbal approval for any of the wire transfers.

Recipients of Wire Transfers from the SB Inc. Account

26. The SB Inc. Wire Transfers were sent to two entities.
27. One of the recipients appears to be connected to the Okanagan Property. In total \$45,870 (CAD) was wire transferred to a home demolition company located in the Okanagan. As

noted above, on October 20, 2017 a permit was issued to demolish a home on the Okanagan Property.

28. The other recipient of the SB Inc. Wire Transfers appears to be a member of Rutledge's family and her husband. In total, \$130,320 (CAD) was transferred to them.

SB Inc. Discovers the Unauthorized Wire Transfers

29. On or about November 15, 2018, SB Inc. became aware of the S Wire Transfers. As a result, SB Inc. informed PI Financial that without the company's knowledge or authorization the funds had been transferred to parties that were unknown to the company and that the company had not received any financial benefit from the transfers.

Failure to Attend Investigatory Interview

30. By way of a December 5, 2018 letter that was sent by registered mail to the home address listed on Rutledge's National Registration Database record (the NRD listed address), IIROC staff informed Rutledge that IIROC had started an investigation into his handling of the S Account and the SB Inc. Account.
31. On December 11, 2018, the letter was delivered to the NRD listed address.
32. On January 13, January 14, and February 3, 2020, IIROC Staff called the telephone number listed on Rutledge's National Registration Database record (the NRD listed telephone number). There was no answer and no voice mail.
33. On February 3, 2020, PI Financial provided IIROC Staff with two email addresses for Rutledge and his cellular telephone number.

34. By way of a February 6, 2020 email that was sent to the two email addresses, IIROC Staff informed Rutledge that it wished to schedule an investigatory interview with him and he was asked to contact IIROC Staff by February 13, 2020 to arrange a date for the investigatory interview.
35. On February 6, 2020, IIROC Staff also called Rutledge's cellular telephone number and left a voice mail message regarding scheduling his investigatory interview.
36. Rutledge did not respond to the February 6, 2020 emails and voice mail message.
37. On May 11, 2020, IIROC Staff called the NRD listed telephone number. There was no answer and no voice mail.
38. On May 11, 2020, IIROC Staff also called Rutledge's cellular telephone number and left a voice mail message regarding scheduling his investigatory interview.
39. Rutledge did not respond to the May11, 2020 voice mail message.
40. In June 2020, IIROC Staff learnt that Rutledge no longer resided at the NRD listed address.
41. By way of a September 29, 2020 letter that was sent to the two email addresses, IIROC Staff informed Rutledge that his investigatory interview would be held on October 13, 2020.
42. By way of an October 2, 2020 email, Rutledge asked that his October 13, 2020 investigatory interview be rescheduled.

43. By way of an October 6, 2020 email, IIROC Staff indicated that it could reschedule Rutledge's interview to November 9, November 10, November 12, or November 13, 2020 and IIROC Staff asked him to advise which date was best for him.
44. Rutledge did not respond to the October 6, 2020 email.
45. Accordingly, by way of an October 19, 2020 letter that was sent to the two email addresses, IIROC Staff informed Rutledge that he was required to attend an interview by telephone on November 9, 2020 in order to answer questions regarding the IIROC investigation into his conduct.
46. Rutledge did not attend his November 9, 2020 investigatory interview.

DATED at Vancouver, British Columbia this 15th day of March, 2022.

Schedule "A"

Unauthorized Wire Transfers from S Account

Date on Wire Instructions Form	Amount of Wire Transfer (not including wire fees)	Recipient
August 3, 2016	\$50,000 (USD)	TST - Company
October 14, 2016	\$380,000 (CAD)	Okanagan Law Firm
October 17, 2016	\$393,942.97 (CAD)	Okanagan Law Firm
November 23, 2016	\$62,605.05 (CAD)	Estate of Family Member
December 2, 2016	\$54,995 (USD)	JD - Individual
April 24, 2017	\$122,340 (CAD)	Okanagan Law Firm
July 24, 2017	\$32,400 (USD)	MS - Corporation
August 10, 2017	\$33,000 (CAD)	JS - Individual
August 25, 2017	\$32,150 (USD)	TST - Company
September 5, 2017	\$30,000 (CAD)*	JS - Individual
September 26, 2017	\$31,000 (USD)	TST - Corporation
November 1, 2017	\$16,300 (CAD)	Family Member
January 23, 2018	\$198,510.30 (CAD)	Modular Home Manufacturer
February 26, 2018	\$13,000 (CAD)	KM - Individual
April 24, 2018	\$50,000 (USD)	TST - Company

*The recipient returned this transfer to PI Financial.

Schedule "A" (cont.)

Unauthorized Wire Transfers from S Account

Date on Wire Instructions Form	Amount of Wire Transfer (not including wire fees)	Recipient
June 13, 2018	\$5,000 (USD)	VMV - Individual
July 26, 2018	\$50,000 (CAD)	Private Company - Associated with Rutledge Family Member
August 13, 2018	\$30,000 (CAD)	General Contractor
September 12, 2018	\$25,000 (CAD)	General Contractor
October 12, 2018	\$25,000 (CAD)	General Contractor
October 26, 2018	\$215,000 (CAD)	Modular Home Manufacturer
October 26, 2018	\$50,000 (CAD)	Private Company - Associated with Rutledge Family Member

Schedule "B"

Unauthorized Wire Transfers from the SB Inc. Account

Date on Wire Instructions Form	Amount of Wire Transfer (not including wire fees)	Recipient
July 11, 2017	\$22,800 (CAD)	Family Member
October 26, 2017	\$26,820.50 (CAD)	Demolition Company
December 21, 2017	\$19,050 (CAD)	Demolition Company
January 2, 2018	\$18,620 (CAD)	Family Member
February 2, 2018	\$16,120 (CAD)	Family Member
February 23, 2018	\$13,350 (CAD)	Family Member
March 13, 2018	\$8,300 (CAD)	Family Member
April 5, 2018	\$11,100 (CAD)	Family Member
April 24, 2018	\$2,900 (CAD)	Family Member
May 24, 2018	\$8,430 (CAD)	Family Member
June 5, 2018	\$3,900 (CAD)	Family Member
June 28, 2018	\$12,300 (CAD)	Family Member
July 3, 2018	\$12,500 (CAD)	Family Member