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Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

Notice of Hearing

File No. 202325

**IN THE MATTER OF
THE MUTUAL FUND DEALER RULESⁱ
and
Susan Armitstead**

NOTICE OF HEARING

NOTICE is hereby given that a disciplinary proceeding has been commenced by the Canadian Investment Regulatory Organization (“CIRO”) against Susan Armitstead (the “Respondent”). The first appearance will take place by videoconference before a hearing panel of the Alberta District Hearing Committee (the “Hearing Panel”) on November 23, 2023, at 10:00 am, Mountain Time or as soon thereafter as the hearing can be held. The Hearing on the Merits will take place by videoconference at a time and venue to be announced. Members of the public who would like to attend the videoconference as an observer should contact hearings@mfd.ca to obtain particulars.

DATED this 19th day of September 2023.

A handwritten signature in blue ink, appearing to read 'M. Pong'.

Michelle Pong
Director, District Hearing Committees,
Mutual Fund Dealer Division

Canadian Investment Regulatory Organization
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Telephone: 416-945-5134
Email: corporatesecretary@mfd.ca

NOTICE is further given that CIRO alleges the following violations of the Mutual Fund Dealer Rules:

Allegation #1: Between February 3, 2016 and May 10, 2018, the Respondent misappropriated or otherwise failed to account for client monies, contrary to Mutual Fund Dealer Rule 2.1.1 (formerly MFDA Rule 2.1.1).

Allegation #2: Between February 4, 2016 and January 3, 2018, the Respondent:

- (a) recorded false or misleading notes in the Dealer Member's back office system; or
- (b) made false or misleading statements to the Dealer Member during supervisory inquiries,

contrary to Mutual Fund Dealer Rule 2.1.1 (formerly MFDA Rule 2.1.1).¹

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by the Corporation at the hearing:

Registration History

1. From September 14, 2001 to August 12, 2021, the Respondent was registered in Alberta as a dealing representative with Quadrus Investment Services Ltd. (the "Dealer Member"), a Dealer Member of CIRO (formerly a Member of the MFDA).
2. At all material times, the Respondent conducted business in the Onoway, Alberta area.

¹ Staff alleges that, at the time of the misconduct, the Respondent contravened MFDA Rules 2.1.1 which is now incorporated into Mutual Fund Dealer Rule 2.1.1 referred to in this proceeding.

3. On August 12, 2021, the Dealer Member terminated the Respondent as a result of the conduct described herein, and the Respondent is not currently registered in the securities industry in any capacity.

Allegation #1 – The Respondent misappropriated or failed to account for client monies

4. At all material times, client LA was the Respondent’s spouse, and a client of the Dealer Member whose accounts were serviced by the Respondent.

5. Without client LA’s knowledge or authorization, between February 3, 2016 and May 10, 2018, the Respondent processed 10 redemptions that generated proceeds totaling approximately \$61,328 from client LA’s non-registered account and registered retirement savings plan (“RRSP”) account, as follows:

Date	Client Account	Unauthorized Redemption (Approx. Gross Amount Of Proceeds)
February 3, 2016	RRSP	\$6,119
June 20, 2016	RRSP	\$3,157 (+ \$350 in fees)
July 11, 2016	RRSP	\$10,416
August 16, 2016	RRSP	\$5,000
October 11, 2016	RRSP	\$10,416
May 26, 2017	Non-registered account	\$5,164
June 15, 2017	RRSP	\$8,995
November 7, 2017	Non-registered account	\$2,604
January 2, 2018	Non-registered account	\$1,742
May 10, 2018	RRSP	\$7,360
		Total: \$61,328

6. The Respondent processed the 10 unauthorized redemptions by signing client LA’s signature on the redemption forms without the client’s knowledge.

7. Unbeknownst to client LA, the Respondent deposited all of the proceeds of the unauthorized redemptions into the Respondent’s personal bank account which was a bank account to which client LA did not have access.

8. Commencing in or about December 2020, client LA requested that the Respondent provide statements for the non-registered and RRSP accounts described above.

9. The Respondent created and provided client LA with a total of at least 8 investment summaries and account statements which purported to show the value of the investments in client LA's non-registered and RRSP accounts.
10. The Respondent prepared the investment summaries and accounts statements so that they concealed from client LA the unauthorized redemptions listed in the chart in paragraph 5 above, and represented to client LA a false market value of the investments in client LA's accounts that was higher than the actual value.
11. In or about June 2021, client LA became concerned about the lack of detail on the investment summaries and account statements that the Respondent had provided. Client LA then contacted the Dealer Member and requested that it provide copies of client LA's account statements.
12. After receiving copies of the account statements from the Dealer Member, Client LA discovered the unauthorized redemptions listed in the chart in paragraph 5 above, and reported to the Dealer Member that client LA was not aware of and did not authorize those redemptions.
13. The Respondent failed to repay or otherwise account for the monies that the Respondent misappropriated from client LA totaling approximately \$61,328.
14. The Dealer Member has compensated client LA for losses that he suffered as a consequence of the alleged misconduct of the Respondent that is described above.
15. By virtue of the foregoing, the Respondent misappropriated or otherwise failed to account for client monies, contrary to Mutual Fund Dealer Rule 2.1.1 (formerly MFDA Rule 2.1.1).

Allegation #2 – The Respondent recorded false or misleading notes and made misleading statements to the Dealer Member

Recording false or misleading notes

16. At or around the time that the Respondent processed the unauthorized redemptions described above, the Respondent recorded five false or misleading notes in the Dealer Member’s back office system with respect to some of the unauthorized redemptions, as set out below:

Date	Client Account	Amount Approx. Redeemed	Respondent’s Note
February 3, 2016	RRSP	\$6,119	“Client is aware of tax implications. Currently not working, awaiting surgery in late Feb. Have looked at non-registered funds but felt this was more appropriate.”
July 11, 2016	RRSP	\$10,416	“Client still out of work, need for property tax, bills. Understands tax implications and DSC fees involved.”
August 16, 2016	RRSP	\$5,000	“Client understands tax implications and fees associated with withdrawal. Still unemployed, needs monies.”
October 11, 2016	RRSP	\$10,416	“Client is still unemployed. Understands the fees and redemption charges.”
June 15, 2017	RRSP	\$8,995	“Client is aware of DSC and 20% tax withheld of funds. Needs monies for property taxes and bills. Not working.”

17. These notes were false or misleading, since, as described above, client LA was not aware of and did not authorize any of the redemptions corresponding to the notes recorded by the Respondent.

Making false or misleading statements to the Dealer Member

18. At or around the time that the Respondent processed the unauthorized redemptions described above, the Dealer Member made three supervisory inquiries to the Respondent in relation to some of the redemptions, as described below.

Date	Dealer Member's Inquiry	Respondent's statement to Dealer Member
February 4, 2016	The Dealer Member asked the Respondent to advise of the reason why client LA redeemed monies on February 3, 2016 from client LA's RRSP, and whether the client was aware of the tax implications and fees, and whether all other withdrawal options had been discussed.	<p>The Respondent stated to the Dealer Member that client LA was <i>"aware of the tax implications. He looked at other options, discussed with rep and accountant"</i>.</p> <p>The Respondent also stated to the Dealer Member that client LA did not redeem monies from the non-registered account due to a market downturn.</p>
June 15, 2017	The Dealer Member advised the Respondent that the June 15, 2017 redemption had been selected for a random audit and requested that the Respondent provide the Respondent with a copy of the supporting paperwork.	On June 16, 2017, the Respondent provided a scanned copy of the redemption form to the Dealer Member and stated: <i>"I had made notes on the file for the redemption. Client is aware of DSC fees."</i>

Date	Dealer Member's Inquiry	Respondent's statement to Dealer Member
January 3, 2018	The Respondent requested that the Respondent provide it with a copy of the trade documentation for the January 2, 2018 redemption evidencing disclosure of DSC fees to client	On January 4, 2018, the Respondent stated: "Yes, [client LA] is aware of the DSC fees associated with the full redemption of the account"

19. The Respondent's statements were false or misleading because, as described above, and contrary to the Respondent's responses to the Dealer Member, client LA was not aware of and did not authorize the Respondent to process any of the redemptions.

20. By virtue of the foregoing, the Respondent:

- (a) recorded false or misleading notes in the Dealer Member's back office system; or
- (b) made false or misleading statements to the Dealer Member during supervisory inquiries,

contrary to Mutual Fund Dealer Rule 2.1.1 (formerly MFDA Rule 2.1.1).

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that pursuant to Mutual Fund Dealer Rule 1A that any person subject to the jurisdiction of the Mutual Fund Dealers Association of Canada prior to January 1, 2023 remains subject to the jurisdiction of CIRO in respect of any action or matter that occurred while that person was subject to the jurisdiction of the Mutual Fund Dealers Association of Canada at the time of such action or matter.

NOTICE is further given that the Mutual Fund Dealer Rules provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with CIRO;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Dealer Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of the Mutual Fund Dealer Rules of CIRO;
- has engaged in any business conduct or practice which such Hearing Panel in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000.00 per offence; and
 - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- (c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- (d) revocation of the authority of such person to conduct securities related business;
- (e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;

- (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Office of the Corporate Secretary, Mutual Fund Dealer Division within twenty (20) days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Canadian Investment Regulatory Organization
Mutual Fund Dealer Division
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: Molly McCarthy
Email: mmccarthy@mfd.ca

A **Reply** shall be **filed** by:

- (a) providing 4 copies of the **Reply** to the Office of the Corporate Secretary, Mutual Fund Dealer Division by personal delivery, mail or courier to:

Canadian Investment Regulatory Organization
Mutual Fund Dealer Division
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: Office of the Corporate Secretary; or

- (b) transmitting 1 electronic copy of the **Reply** to the Office of the Corporate Secretary, Mutual Fund Dealer Division by e-mail at CorporateSecretary@mfd.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by CIRO in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by CIRO in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

- (a) to **serve** and **file** a **Reply**; or
- (b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing as having been proven and may impose any of the penalties described in the Mutual Fund Dealer Rules.

End.

ⁱ On January 1, 2023, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association of Canada (the “MFDA”) were consolidated into a single self-regulatory organization recognized under applicable securities legislation that is called the Canadian Investment Regulatory Organization (referred to herein as “CIRO”). CIRO adopted interim rules that incorporate the pre-

amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the "Interim Rules"). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation have been incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules. Pursuant to Mutual Fund Dealer Rule 1A and s.14.6 of By-Law No. 1 of CIRO, contraventions of former MFDA regulatory requirements may be enforced by CIRO.

DM #907138