



OCRI · CIRO

Organisme canadien
de réglementation
des investissements

Canadian Investment
Regulatory
Organization

**IN THE MATTER OF
THE INVESTMENT DEALER AND PARTIALLY
CONSOLIDATED RULES AND THE DEALER MEMBER RULES**

AND

MICHEL BÉDARD

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Canadian Investment Regulatory Organization (“CIRO”)¹ will issue a Notice of Application to announce a settlement hearing pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the “Investment Dealer Rules”) to consider whether a hearing panel should accept this Settlement Agreement between Enforcement Staff and Michel Bédard (the Respondent).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Enforcement Staff and the Respondent jointly recommend that the hearing panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

PART III – AGREED FACTS

3. For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

Registration history

4. The Respondent has been registered with the Canadian Investment Regulatory Organization (“CIRO”) and its predecessors, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Investment Dealers Association of Canada (“IDA”), since 1986.
5. The Respondent has been registered and in the employ of Desjardins Securities Inc. (“DS”) since July 1996.
6. From February 1999 to June 2017, the Respondent was also registered as a Branch Manager of DS.

Particulars

Client GDB

7. Client DB opened a brokerage account with the Respondent in 2010, in the name of her holding company (GDB).
8. The investor profile for this client, as it appears from her file with updates made in 2014 and 2016, indicated that her investment knowledge was [TRANSLATION] “good,” that her risk tolerance was “moderate” and that her investment objectives for this account were exclusively for “moderate to higher risk income and investment securities”.
9. Client DB had no knowledge of option trading.
10. Until 2020, GDB’s portfolio consisted of relatively conservative investments.

11. No dissatisfaction was expressed by the client with this type of investment or the returns it generated.
12. Client DB's professional duties prevented her from performing daily monitoring of her portfolio, and she fully trusted the Respondent to look after her portfolio.
13. On or around February 18, 2022, through her authorized representative, client GDB submitted a complaint against the Respondent.

Client FML

14. In September 2018, clients MM and RL opened a brokerage account with DS, in the name of a family trust (FML).
15. The investor profile for these clients, as it appears from their file, referred to investment knowledge as [TRANSLATION] "good," a "moderate" risk tolerance and investment objectives exclusively composed of "moderate to higher risk income and investment securities".
16. The Respondent took over managing this account from client FML as of January 2020.
17. Communications relating to FML's account were mainly with its representative RL.
18. RL had no knowledge of option trading.
19. On or around February 14, 2022, through its authorized representatives, client FML submitted a complaint against the Respondent.

Option accounts

20. As of the summer of 2020, the Respondent undertook an active option trading strategy in the accounts of clients GDB and FML.
21. For client GDB, the Respondent opened an option margin account in June 2020.
22. For client FML, the Respondent opened an option margin account in August 2020.
23. This trading strategy relied in particular on short-term fluctuations in the prices of the underlying shares to increase the return on these clients' portfolios.
24. For clients GDB and FML, this strategy was not guided by any target return objective and resulted in significant losses for these clients.
25. In the case of client GDB, the capital losses resulting from these option transactions amounted to \$468,809 between June 2020 and February 2022.
26. In addition, GDB's portfolio generated returns of 27.54% during this period.
27. In the case of client FML, the capital losses resulting from these option transactions amounted to \$52,931 between August 2020 and November 2021.
28. In addition, FML's portfolio generated returns of 0.19% during this period.

Discretionary trading

29. The Respondent has admitted to numerous discretionary trades in the accounts of clients GDB and FML.

30. None of these accounts were preapproved or designated as discretionary accounts.
31. For client GDB, only 24 of the 379 option transactions carried out from June 2020 to October 2021 were discussed in advance by the Respondent and his client.
32. For client FML, only 8 of the 101 option trades carried out from August 2020 to November 2021 were discussed in advance by the Respondent and its client.
33. Accordingly, for the period from June 2020 to November 2021, the Respondent made 448 discretionary transactions in the accounts of clients GDB and FML.

Respondent's internal notes

34. The Respondent admitted to creating false notes of alleged conversations with clients GDB and FML, in particular with regard to the option trades described above which were carried out on a discretionary basis.
35. In this regard, the Respondent also ignored certain reminders from his employer.

Unsuitability

36. It was on the Respondent's initiative alone that he opened an option margin account and began an active option trading strategy in June 2020 for client GDB.
37. When this option margin account was opened, the investment objectives of client GDB were also amended by the Respondent on or around August 19, 2020:

GDB	June 8, 2020	August 19, 2020
Investment objectives		
Moderate to higher risk income and growth securities	80%	30%
Speculative securities and stock market strategies	20%	70%
Risk tolerance		
Low		
Moderate		
High	100%	100%

38. However, the purpose of this update was not to truly reflect client GDB's risk tolerance or investment objectives, but rather to align the client's file with the client's portfolio, in accordance with the option trading strategy now employed by the Respondent.
39. Despite the investor profile and portfolio mix of client GDB through June 2020, the Respondent recommended that the client continue with her option trading strategy even after substantial gains may have been realized.

Sound business practice

40. The Respondent acknowledged that this option trading strategy, implemented for clients GDB and FML, resulted in a high number of commissions.
41. Between June 2020 and November 2021, for clients GDB and FML, the total commissions remitted to the Respondent under the option trading strategy amounted to \$226,492.

Fee disclosure

42. The Respondent acknowledged that he had not disclosed to clients GDB and FML the fees payable for the option transactions carried out in their accounts, particularly regarding the transactions described in paragraph 33.
43. The parties also considered the following factors:
- a. The Respondent had no prior disciplinary history before CIRO;
 - b. Clients GDB and FML agreed with DS on the amount of compensation, to be settled following their respective complaints against the Respondent;
 - c. On or around October 21, 2022, DS imposed the following measures on the Respondent:
 - that he re-write and pass the Conduct and Practices Handbook (“CPH”) examination;
 - twelve (12) months of strict supervision;
 - a monetary penalty of \$150,000.
 - d. As of the date hereof, the Respondent has complied with the first two aforementioned measures, with DS having agreed to lift the monetary penalty in light of this Settlement Agreement and the related sanctions.

PART IV – CONTRAVENTIONS

44. By engaging in the conduct described above, the Respondent acknowledges his responsibility for the following contraventions:

Count 1

Between June 2020 and November 2021, the Respondent made discretionary trades in the accounts of two clients, without the accounts having been preauthorized and accepted as discretionary accounts, contrary to IIROC Dealer Member Rule 1300.4.

Count 2

Between June 2020 and November 2021, the Respondent falsely represented to his firm, through his written notes, that he had discussed with two of his clients prior to the aforementioned transactions, contrary to Consolidated Rule 1400.

Count 3

Between June 2020 and October 2021, the Respondent failed to use due diligence to ensure that options traded in the account of one of his clients were suitable for said client, contrary to IIROC Dealer Member Rule 1300.1(q).

Count 4

Between June 2020 and November 2021, the Respondent failed to use due diligence to ensure that the option trading strategy used for two of his clients was within the bounds of good business practice, contrary to IIROC Dealer Member Rule 1300.1(o).

Count 5

Between June 2020 and November 2021, the Respondent failed to disclose to two of his clients the information relating to the fees payable before executing the trades in their accounts, contrary to IIROC Dealer Member Rule 29.9(1)(a).

PART V – TERMS OF SETTLEMENT

45. The Respondent agrees to the following sanctions and costs:
- (a) A fine in the amount of \$30,000 for Count 1;
 - (b) A fine in the amount of \$30,000 for Count 2;

- (c) A fine in the amount of \$30,000 for Count 3;
- (d) A fine in the amount of \$50,000 for Count 4;
- (e) A fine in the amount of \$10,000 for Count 5;
- (f) Disgorgement of \$226,492 representing the commissions collected by the Respondent, in accordance with paragraph 41 of this Settlement Agreement;
- (g) Suspension of his registration with CIRO for a period of two (2) months, with such suspension to commence seven (7) days after the acceptance of this Settlement Agreement;
- (h) An additional amount of \$10,000 in costs.

46. If this Settlement Agreement is accepted by the hearing panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Enforcement Staff and the Respondent.

PART VI – STAFF COMMITMENT

47. If the hearing panel accepts this Settlement Agreement, Enforcement Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.
48. If the hearing panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

49. This Settlement Agreement is conditional on acceptance by the hearing panel.

50. This Settlement Agreement shall be presented to a hearing panel at a settlement hearing in accordance with sections 8215 and 8428 of the Investment Dealer Rules, in addition to any other procedures that may be agreed upon between the parties.
51. Enforcement Staff and the Respondent agree that this Settlement Agreement will form all the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the hearing panel.
52. If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules of CISO and any applicable legislation to any further hearing, appeal and review.
53. If the hearing panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter into another settlement agreement, or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.
54. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.
55. The Settlement Agreement will become available to the public upon its acceptance by the hearing panel, and CISO will post a full copy of this Settlement Agreement on the CISO website. CISO will publish a notice and news release of the facts, contraventions and the sanctions agreed upon in this Settlement Agreement, and the hearing panel's written reasons for its decision to accept this Settlement Agreement.

56. If this Settlement Agreement is accepted, the Respondent agrees that neither he nor anyone on his behalf will make a public statement inconsistent with this Settlement Agreement.
57. This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the hearing panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

58. The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.
59. An electronic copy of any signature will be treated as an original signature.

DATED the 14 day of the month of November 2023.

Witness

“Michel Bédard”

Respondent

“Francis Larin”

Francis Larin

Senior Enforcement Counsel, on
behalf of Enforcement Staff, CIRO

¹ On January 1, 2023, IIROC and the MFDA were consolidated into a single self-regulatory organization recognized under applicable securities legislation.

The Canadian Investment Regulatory Organization (“CIRO”) has adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-laws, rules and policies of the MFDA (the “Interim Rules”). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the Universal Market Integrity Rules (“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 provisions referred to herein were part of the rules of IIROC and the rules, by-laws or policies of the MFDA that were in force immediately prior to amalgamation and that were incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules.

Section 1105 (Transitional provision) of the Investment Dealer and Partially Consolidated Rules sets out CIRO's continuing jurisdiction, including that CIRO shall continue the regulation of any person subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada that was formerly conducted by the Investment Industry Regulatory Organization of Canada.