



**CIRO · OCRI**

Canadian Investment  
Regulatory  
Organization

Organisme canadien  
de réglementation  
des investissements

**Agreed Statement of Facts**

**File No. 202325**

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

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**AGREED STATEMENT OF FACTS**

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**I. INTRODUCTION**

1. By Notice of Hearing dated September 19, 2023, the Canadian Investment Regulatory Organization (“CIRO”) commenced a disciplinary proceeding against Susan Armitstead (the “Respondent”) pursuant to Mutual Fund Dealer Rules 7.3 and 7.4.

2. The Notice of Hearing set out the following allegations:

**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 notes in the Dealer Member’s back office system; and
- (b) made false statements to the Dealer Member during supervisory inquiries,

contrary to Mutual Fund Dealer Rule 2.1.1 (formerly MFDA Rule 2.1.1).<sup>1</sup>

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<sup>1</sup> 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.

## **II. IN PUBLIC / IN CAMERA**

3. The Respondent and Staff of CIRO (“Staff”) agree that this matter should be heard in public pursuant to Rule 1.8 of the Mutual Fund Dealer Rules of Procedure.

## **III. ADMISSIONS AND ISSUES TO BE DETERMINED**

4. The Respondent has reviewed this Agreed Statement of Facts and admits the facts set out in Part IV herein. The Respondent admits that the facts in Part IV constitute misconduct for which the Respondent may be penalized on the exercise of the discretion of a hearing panel of the Alberta District Committee (the “Hearing Panel”) of CIRO pursuant to Mutual Fund Dealer Rule 7.4.1.

5. Staff and the Respondent jointly request that the Hearing Panel determine the appropriate penalty to impose on the Respondent solely on the basis of this Agreed Statement of Facts and a document of additional representations by the Respondent that Staff and the Respondent have agreed the Hearing Panel may consider, and no other information, facts or documents, subject to the content of paragraph 6 below.

6. In the event that the Hearing Panel advises one or both of Staff and the Respondent of any additional facts that it considers necessary in order to determine the issues before it, Staff and the Respondent agree that such additional facts may be provided to the Hearing Panel, either: (a) with the consent of both Staff and the Respondent if the additional facts are agreed upon; (b) if the Respondent is not present at the hearing, Staff may disclose additional relevant facts, at the request of the Hearing Panel; or (c) if the parties are both present at the hearing and are not in agreement about the additional facts requested by the Hearing Panel, the parties will be given a reasonable opportunity to lead evidence concerning the additional facts. In circumstances where a party leads evidence concerning additional facts requested by the Hearing Panel, the opposing party may cross-examine any witness tendered to lead such evidence and shall be given a reasonable opportunity to lead responding evidence if they wish to do so.

7. Nothing in Part IV is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against her.

#### **IV. AGREED FACTS**

##### **Registration History**

8. 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).

9. At all material times, the Respondent conducted business in the Onoway, Alberta area.

10. 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 – Misappropriation of Monies**

11. 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.

12. 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 at the Dealer Member (the “Redemptions”), as set out in the chart below:

<b>Date</b>	<b>Client Account</b>	<b>Unauthorized Redemption (Approx. Gross Amount Of Proceeds)</b>
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

<b>Date</b>	<b>Client Account</b>	<b>Unauthorized Redemption (Approx. Gross Amount Of Proceeds)</b>
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
		<b>Total: \$61,328</b>

13. The Respondent processed the Redemptions by signing client LA's signature on the redemption forms without the client's knowledge.

14. Without the knowledge or authorization of client LA, the Respondent deposited all of the proceeds of the Redemptions into the Respondent's personal bank account, which was a bank account to which client LA did not have access, and subsequently spent the proceeds.

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

16. The Respondent created and provided client LA with a total of at least 8 fictitious investment summaries and account statements which purported to show the value of the investments in client LA's non-registered and RRSP accounts.

17. The Respondent prepared the investment summaries and account statements so that they concealed the Redemptions from client LA, and represented to client LA a false market value of the investment holdings in client LA's accounts that was higher than the actual value.

18. In or about June 2021, client LA became concerned about the lack of detail on the investment summaries and account statements provided by the Respondent. Client LA then contacted the Dealer Member and requested that it provide copies of client LA's account statements.

19. After receiving copies of the account statements from the Dealer Member, client LA discovered the Redemptions and reported to the Dealer Member that client LA was not aware of and did not authorize the Redemptions.

20. The Respondent admits that by processing the Redemptions from the investment accounts of client LA and depositing the proceeds into her personal bank account as described above, the Respondent misappropriated \$61,328 from client LA's mutual fund accounts.

21. The Respondent also misappropriated approximately \$3,525 from client LA's segregated fund account at the Dealer Member's insurance affiliate. With respect to this conduct, the Alberta Insurance Council imposed a \$10,000 civil penalty.<sup>2</sup>

22. The Dealer Member's insurer fully compensated client LA a total of \$86,239.16 consisting of:

- i. the amount of the Redemptions processed from the mutual fund holdings of client LA totaling \$61,328.86;
- ii. the amount that the Respondent redeemed from segregated fund accounts of client LA without the client's knowledge or authorization totaling \$3,525.74; and
- iii. an additional \$21,384.54 representing the approximate investment growth that the Dealer Member determined that client LA would have earned if the Redemptions had remained invested as client LA intended.

23. Subsequently, the Dealer Member's insurer commenced a civil proceeding against the Respondent to recover the amount it paid to client LA. The Respondent did not file a defence and the insurer secured a default judgment against the Respondent totaling \$88,759.40, inclusive of costs in the amount of \$2,520.25.

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<sup>2</sup> Staff is not seeking a finding of misconduct or factoring the \$3,525 misappropriated from client LA's segregated fund because this misconduct has been subject to the proceeding by the Alberta Insurance Council.

24. On November 21, 2023, the Respondent satisfied the judgment by paying the Dealer Member’s insurer a total of \$91,542.68 consisting of the judgment of \$88,759.40 plus post-judgment interest.

**Allegations #2 – Recording False or Misleading notes and Making Misleading Statements to the Dealer Member**

i. **Recording False or Misleading Notes**

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

<b>Date</b>	<b>Client Account</b>	<b>Amount Approx. Redeemed</b>	<b>Respondent’s Note</b>
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.”

26. These notes were false because, 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, and there were no discussions between the Respondent and client LA concerning any tax implications or deferred sales charges that would be applicable as a consequence of the Redemptions.

ii. ***Making false or misleading statements to the Dealer Member***

27. At or around the time when 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.

<b>Date</b>	<b>Dealer Member's Inquiry</b>	<b>Respondent's statement to Dealer Member</b>
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.	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> ".  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.
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> "
January 3, 2018	The Dealer Member requested that the	On January 4, 2018, the Respondent stated: " <i>Yes, [client LA] is aware of the</i>

<b>Date</b>	<b>Dealer Member's Inquiry</b>	<b>Respondent's statement to Dealer Member</b>
	Respondent provide it with a copy of the trade documentation for the January 2, 2018 redemption evidencing disclosure of DSC fees to client	<i>DSC fees associated with the full redemption of the account"</i>

28. The Respondent's statements were false 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.

**Additional Factors**

29. After the conduct described in this Agreed Statement of Facts came to light, client LA commenced divorce proceedings against the Respondent.

30. On December 19, 2022, the Respondent was charged with fraud (s. 380 of the *Criminal Code*, R.S.C., 1985, c. C-46)), forgery (s. 368) and possession of stolen property (s. 355) related to the conduct described above. On January 8, 2024, the Respondent pleaded guilty to one count of fraud (s. 380) and was sentenced to a conditional sentence order for a term of 12 months.

31. The Respondent has no prior criminal record and in addition to her termination described above, the Respondent states that she is also no longer certified as a financial planner as a result of the above described misconduct.

32. The Respondent states that she is remorseful for engaging in the misconduct described herein and has cooperated with Staff throughout the investigation.

**Misconduct Admitted**

33. The Respondent admits that by engaging in the conduct described above:



(a) 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.

(b) Between February 4, 2016 and January 3, 2018, the Respondent:

(i) recorded false or misleading notes in the Dealer Member's back office system;  
and

(ii) made false or misleading statements to the Dealer Member during supervisory inquiries,

contrary to Mutual Fund Dealer Rule 2.1.1.

***Execution of Agreed Statement of Facts***

34. This Agreed Statement of Facts may be signed in one or more counterparts which together shall constitute a binding agreement.

35. A facsimile copy of any signature shall be effective as an original signature.

**DATED** this 12th day of April, 2024.

"Susan Armitstead"  
Susan Armitstead

"Molly McCarthy"  
Staff of the Canadian Investment Regulatory Organization  
Molly McCarthy, Enforcement Counsel