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**CASE SUMMARY #200803**  
September 23, 2008

# MFDA Case Summary

## Enforcement

This case summary was prepared by Staff of the MFDA.

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### **Hearing Panel imposes lifetime ban and \$260,000 fine on Joplin Leclair**

**Nature of Proceeding** A Hearing Panel of the Central Regional Council of the Mutual Fund Dealers Association of Canada (“MFDA”) has imposed disciplinary penalties on Joplin Leclair (“Leclair”), a former Approved Person of ASL Direct Inc. (“ASL”), a Member of the MFDA.

**By-Laws, Rules, Policies Violated** Following a hearing on June 10, 2008, the Hearing Panel found that:

1. Between October 2006 and August 2007, Leclair solicited and accepted a total of \$250,000 from two individuals which she failed to repay or otherwise account for, contrary to MFDA Rule 2.1.1;
2. Between October 2006 and August 2007, Leclair engaged in a gainful occupation outside the business of the Member without so advising the Member and obtaining approval of the Member, contrary to MFDA Rule 1.2.1(d); and
3. Commencing June 25, 2007, the Respondent failed to attend and give information to the MFDA during the course of an investigation, contrary to section 22.1(c) of MFDA By-law No.1.

MFDA Rule 2.1.1 states:

**Standard of Conduct.** Each Member and each Approved person of a Member shall:

- (a) deal fairly, honestly and in good faith with its clients;

- (b) observe high standards of ethics and conduct in the transaction of business;
- (c) not engage in any business conduct or practice which is unbecoming or detrimental to the public interest; and
- (d) be of such character and business repute and have such experience and training as is consistent with the standards describes in this Rule 2.1.1, or as may be prescribed by the Corporation.

MFDA Rule 1.2.1(d) states, in part:

- (d) **Dual Occupations.** An Approved person may have, and continue in, another gainful occupation, provided that:
  - (i) *Permitted by legislation.* The securities commission in the jurisdiction in which the Approved Person carries on or proposes to carry on business specifically permits him or her to devote less than his or her full time to the business of the Member for which he or she acts on behalf of;
  - (ii) *Not prohibited.* The securities commission in the jurisdiction in which the Approved person carries on or proposes to carry on business does not prohibit an Approved Person from engaging in such gainful occupation;
  - (iii) *Member Approval.* The Member for which the Approved person carries on business either as an employee or agent is aware and approves of the Approved Person engaging in such other gainful occupation;
  - (iv) *Member procedures.* Such Member establishes and maintains procedures to ensure continuous service to clients and to address potential conflicts of interest;
  - (v) *Conduct unbecoming.* Any such gainful occupation of the Approved Person must not be such as to bring the Corporation, its Members or the mutual fund industry into disrepute; and
  - (vi) *Disclosure.* Clear disclosure is provided to clients that any activities related to such other gainful occupation are not business of the Member and are not the responsibility of the Member.

Section 22.1 of MFDA By-law No. 1 states:

### **Investigatory Powers**

For the purpose of any examination or investigation pursuant to this By-law, a Member, Approved Person of a Member or other person under the jurisdiction of the Corporation pursuant to the By-laws or the Rules may be required by the Corporation:

- (a) to submit in writing with regard to any matter involved in any such investigation;
- (b) to produce for inspection and provide copies of the books, records, and accounts of such person relevant to the matters being investigated;
- (c) to attend and give information respecting any such matters; and
- (d) to make any of the above information available through any directors, officers, employees, agents and other persons under the direction or control of the Member, Approved Person or other person under the jurisdiction of the Corporation;

and the Member or person shall be obliged to submit such report, to permit such inspection, provide such copies and to attend, accordingly. Any Member or person subject to an investigation conducted pursuant to this By-law may be invited to make submission by statement in writing, by producing for inspection books, records and accounts and by attending before the person conducting the investigation be recorded by means of an electronic recording device or otherwise and may require that any statement be given under oath.

**Penalty**

The Hearing Panel imposed the following penalties on Leclair:

1. a fine in the amount of \$250,000 for misappropriation of funds;
2. a fine in the amount of \$10,000 for failing to disclose and obtain approval of outside business activities; and
3. a permanent prohibition on the authority of Leclair to conduct securities related business in any capacity while in the employ of, or associated with, any Member of the MFDA.

**Summary of Facts**

Leclair was an Officer of ASL from September 2006 to May 2007. On May 16, 2007, ASL terminated Leclair and she is not currently registered in the securities industry in any capacity.

**Allegation #1: Standard of Conduct**

In October 2006, Leclair incorporated a company called Global Xchange Capital Inc. (“Global”). Leclair solicited entrepreneurs who were having difficulties obtaining loans for business ventures and purported to provide loans through Global.

In January 2007, Leclair entered into an agreement with PG pursuant to which Global would provide him a loan of \$840,000 USD. Leclair advised PG that he was required to forward \$100,000 USD to Global in order to obtain loan insurance before Global could advance the funds. PG forwarded

the \$100,000 USD, but never received the promised loan or evidence of loan insurance. Leclair has not returned or otherwise accounted for the funds advanced to her by PG.

CP was also a client of Global. Leclair advised CP that Global could provide him with a loan of \$4,100,000 to fund his business activities. Again, Leclair advised CP that he was required to forward \$150,000 USD to Global in order to obtain loan insurance before Global could advance the funds. CP forwarded the \$150,000 USD, but never received the promised loan or evidence of loan insurance. Leclair has not returned or otherwise accounted for the funds advanced to her by CP.

By failing to return or otherwise account for the funds advanced to her by PG and CP, Leclair failed to meet the standard of conduct required for Approved Persons set out in MFDA Rule 2.1.1.

### **Allegation #2: Dual Occupations**

Under MFDA Rules and as a condition of employment with ASL, Leclair was required to, among other things, make ASL aware of and receive approval from ASL prior to having and continuing in another gainful occupation. Leclair neither disclosed her involvement with Global to ASL nor sought approval from ASL to have and continue in another gainful occupation.

By failing to disclose her involvement in Global to ASL and obtain permission from ASL to have and continue in another gainful occupation, Leclair failed to meet the requirements set out in MFDA Rule 1.2.1(d).

### **Allegation #3: Failure to Cooperate**

The MFDA began its investigation of and subsequent communications with Leclair in March 2007. In May 2007, Leclair ceased all communications with ASL and the MFDA. Since that time, Leclair has not responded to any communications from the MFDA nor has she attempted to contact or cooperate with the MFDA's investigation. Leclair also failed to participate in the discipline hearing against her.

By failing to attend and give information as requested by the MFDA, Leclair failed to meet the requirements set out in Section 22.1(c) of MFDA By-Law No. 1.

For greater detail, see the Decision and Reasons, dated August 22, 2008, posted on the MFDA's website in the "Enforcement" section under "Completed Cases".