

IN THE MATTER OF: THE SECURITIES ACT

-and-

IN THE MATTER OF: ROLAND EMILE TETRAULT

STATEMENT OF ALLEGATIONS OF STAFF OF THE  
MANITOBA SECURITIES COMMISSION

STAFF OF THE MANITOBA SECURITIES COMMISSION ALLEGE, AMONG OTHER THINGS, THAT:

A. REGISTRATION

1. Roland Emile Tetrault ("Tetrault") has been registered as a salesman under The Securities Act (the "Act") as follows:

(a) from April 19, 1993 to October 15, 1993 with PFSL Investments Canada Ltd.;

(b) from October 15, 1993 to present with Pro-Fund Distributors Ltd. ("Pro-Fund");

2. At all material times, Pro-Fund was registered as a Broker-Dealer restricted to trading in the following securities:

(a) mutual funds which are qualified for distribution in Manitoba by way of a prospectus for which a receipt, which is current, has been issued by The Manitoba Securities Commission (the "Commission");

(b) guaranteed investment certificates ("GIC") of financial institutions, who are members of the Canada Deposit Insurance Corporation ("CDIC"), pursuant to agreements between said financial institutions and the registrant; subject to the further condition that, for all subscriptions or applications for the said GIC, client deposits must be made by cheque and such cheques must be payable to the financial institution from which the GIC is purchased;

(c) "Strip Bonds" pursuant to Local Policy 3.17 of the Commission;

(d) Labour Sponsored Investment Funds which are qualified for distribution in Manitoba by way of prospectus for which a receipt, which is current, has been issued by the Commission.

B. DETAILS

1. In early 1995, Mr. and Mrs. Parent met with Tetrault at which time he began providing investment advice to them. The Parents did not have any investment experience other than buying GIC's and some life insurance products. Their net worth was approximately \$50,000.00.

2. In early 1995, the Parents investment objectives were such that they wanted to invest money for retirement purposes, did not want to invest into products that were risky or volatile and had no intentions of gambling with their money. The Parents were not risk takers.
3. The Parents advised Tetrault of their investment objectives.
4. In March, 1995, Mr. Parent ("John Parent") became a client of Tetrault's. John Parent invested \$4,882.19 in the Mackenzie Industrial Short-Term Fund.
5. In April of 1995, Tetrault recommended that John Parent invest his existing RRSP holdings held in the Mackenzie Industrial Short-Term Fund, then worth approximately \$4,905.56, into the Mackenzie Universal World Precious Metals Fund ("Precious Metals").
6. John Parent agreed to Tetrault's recommendation, and the monies were duly invested.
7. In August of 1995, Mrs. Parent ("Lucie Parent") transferred an RRSP account in the approximate amount of \$14,227.10 to Tetrault upon the advice of Tetrault.
8. Tetrault did not complete a Know Your Client Form for Lucie Parent.
9. Prior to transferring the account to Tetrault, Lucie Parent's RRSP funds were held in a GIC.
10. Upon transferring the funds to Tetrault, Lucie Parent's funds were invested in the Mackenzie Industrial Short-Term Fund at Tetrault's recommendation.
11. On or about February 20, 1996, Tetrault recommended that John Parent's Precious Metals be sold and that the proceeds in the approximate amount of \$6,699.14 be placed back into the Mackenzie Industrial Short-Term Fund. John Parent followed Tetrault's recommendation.
12. In February of 1997, Tetrault recommended that the Parents both invest their entire existing RRSP holdings, then held in the Mackenzie Industrial Short-Term Fund, in Precious Metals. At the material time, John Parent's holdings were valued at approximately \$6,900.84 and Lucie Parent's holdings were valued at approximately \$15,029.83. These RRSP holdings represented most of their life savings.
13. The Parents followed Tetrault's recommendation and the entire RRSP holdings of the Parents were invested in Precious Metals.
14. The Parents state that:
  - (a) Tetrault did not advise them of the risks and of the volatility associated with Precious Metals;
  - (b) The investments recommended by Tetrault were contrary to the Parents investment objectives, experience, and financial capabilities;

(c) The Parents at all material times were low risk investors, had no intention of gambling with their money, and intended to invest their money for retirement.

15. After having invested in Precious Metals, the value of Precious Metals decreased.

16. In or about November of 1997, the Parents, or either of them, were concerned about the decrease in value of Precious Metals and sought advice from Tetrault. Tetrault advised the Parents to maintain the investments.

17. In late November or early December, 1997, the Parents sold their investments in Precious Metals.

18. At the time of selling their investments in Precious Metals, John Parent's investment in Precious Metals had already reduced in value to \$3,460.43.

19. At the time of selling their investments in Precious Metals, Lucie Parent's investment in Precious Metals had already reduced in value to \$8,545.14.

### C. ALLEGATIONS

1. Staff of the Commission allege that:

(a) Tetrault did not provide adequate disclosure to the Parents with respect to the risks and volatility levels of the investments recommended to them;

(b) Tetrault provided investment advice to the Parents which was unsuitable in the circumstances, namely by placing the majority of the Parents life savings into high risk volatile mutual funds, contrary to the Parent's investment objectives, experience, risk tolerability, and financial capabilities;

(c) Tetrault did not properly complete a New Client Form for Lucie Parent;

and that due to these allegations, Tetrault should be suspended as a salesman under the Act.

2. Such further and other matters as counsel may advise and the Commission may permit.

DATED at Winnipeg, Manitoba this 24th day of February, 1999.

"Douglas R. Brown"  
Deputy Director

TO: ROLAND EMILE TETRAULT