

IN THE MATTER OF AN APPEAL TO THE APPEAL COMMITTEE  
OF THE CANADIAN INVESTOR PROTECTION FUND

RE: [REDACTED]

April 10, 2015

PANEL:

**Patrick J. LeSage**

**Appeal Committee Member**

APPEARANCES:

[REDACTED]

**Appellant, on his own behalf**

**James Gibson**

**Counsel for the Canadian  
Investor Protection Fund  
Staff**

DECISION AND REASONS

**Introduction and Overview**

1. [REDACTED] (the “Appellant”) was a client of First Leaside Securities Inc. (“FLSI”), an investment dealer through which over 1,200 customers made investments in various affiliated companies, trusts and limited partnerships (collectively the “First Leaside Group”). FLSI was registered with the Ontario Securities Commission and was a member of the Investment Industry Regulatory Organization of Canada (“IIROC”). It was also a member of the Canadian Investor Protection Fund (“CIPF” or the “Fund”) until its suspension by IIROC on February 24, 2012, being the same date that FLSI was declared to be insolvent and sought protection under the *Companies’ Creditors Arrangement Act*. The relevant history leading up to these events and the role of CIPF

with respect to claims to the Fund are set out in detail in the Appeal Committee's decision dated October 27, 2014.<sup>1</sup>

2. The Appellant made various investments totalling \$153,356.00 between 30 October 2008 and 30 July 2010 in First Leaside Group entities. The Appellant seeks to overturn the CIPF Staff decision of 17 December 2014, denying compensation on the basis that his "loss was caused by a change in the market value of your investments and not a loss resulting from the insolvency of FLSI". In addition, Staff's decision noted the securities were not held by, or in control of FLSI at date of insolvency.

3. The Appellant informed the hearing that he was aware of the Appeal Committee's decisions made to date on the FLSI insolvency claims, and that, as he expressed it, "we feel that this is an exercise in futility----however we are just here to preserve our rights should there be a change in the future--- and a change in CIPF compensation". The Appellant expressed his "dissatisfaction with CIPF for permitting its logo to be used for what has turned out to be nothing more than a Ponzi scheme". He further said, "when one sees the CIPF logo on the documents presented by the promoters and the brokerage (FLSI) you believe your investments are covered by an insurance" ... "you believe that you as an investor are protected by insurance". He further stated: "... I find the brochure to be a little misleading ... and gives us a false sense of security. We hope the brochure gets rewritten."

4. ██████████ agreed that FLSI obtained the securities he requested they purchase for him. He acknowledged that he either personally received certificates of ownership or in some cases FLSI transferred the certificates to Fidelity as he directed. As he expressed it, "our property was returned to us".

5. The Appellant, although he did not make a specific reference, can be assumed to adopt the submissions of Representative Counsel for the Investors of FLSI referred to in the 27 October 2014 decision.

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<sup>1</sup> This decision is available on the CIPF website and will be referenced throughout as the "October 27, 2014 decision".

6. I thank [REDACTED] for his attendance and his submissions, But as was indicated in the Committee's October 27, 2014 decision, CIPF coverage is limited to custodial coverage in the event of broker insolvency. The Appellant's losses were not the result of the FLSI insolvency, rather the diminution of the market value of his investments.

7. The purpose of CIPF coverage is limited to custodial coverage. As was indicated in the October 27, 2014 decision, the CIPF brochure outlines the limitations on coverage. Furthermore, had any misrepresentations been made in relation to CIPF, they were made by FLSI or First Leaside Group. Oversight of members is primarily the jurisdiction of IIROC, with additional oversight by the Ontario Securities Commission.

8. As in the October 27, 2014 decision, while I may have considerable sympathy for the Appellant's position, I conclude that his submissions in this appeal do not give rise to a legally valid claim for compensation from CIPF.

9. The appeal is dismissed. The decision of CIPF Staff is upheld.

Dated at Toronto, this 22nd day of June, 2015

**Patrick J. LeSage**