

NOTICE REGARDING CIPF APPEAL COMMITTEE DECISION DATED MAY 26, 2016

On May 26, 2016, a CIPF Appeal Committee decision was issued in respect of the insolvency of First Leaside Securities Inc. ("FLSI"), interpreting the scope of coverage under the CIPF Coverage Policy dated September 30, 2010 (the "Coverage Policy"), and ordering that compensation be paid to one of the two related claimants who had appealed from CIPF Staff's initial decision that the claims being advanced were ineligible for coverage. A redacted version of this decision has been posted to the CIPF website and can be accessed [here](#).

Summarized below are several key statements and findings arising from the decision. Please refer to the decision itself for the factual context and complete findings.

- Following consultation among all Appeal Committee members, it was determined that there were unique issues raised in this appeal which should be determined by all three members of the CIPF Appeal Committee.
- The Appeal Committee confirmed that its role in this case and in all cases it has heard is to assess the facts of each Appellant's case and determine whether or not the alleged loss falls within the Coverage Policy.
- It is the failure to return or account for property, including through unlawful conversion, that can trigger protection under the Coverage Policy.
- In other cases, the Appeal Committee has held that the former clients of FLSI directed the purchase of these investments, the purchases were made and the investments were returned to the clients, so no unlawful conversion occurred.
- In the circumstances of this case, the Appeal Committee found that the failure to follow repeated instructions to redeem securities was equivalent to unlawful conversion in the same way that a failure to apply funds coming into the account according to the instructions of the investor is unlawful conversion.
- The Appeal Committee further found that the verifiable emails between the client and the principal of FLSI were crucial to its decision and that it would be insufficient for the appellants to have submitted that oral instructions for redemption had been given without some independent evidence to substantiate those instructions.
- Mainly for this reason, the Appeal Committee upheld the initial decision of CIPF Staff denying the claim of one of the two appellants but overturned the initial decision in respect of the other appellant and ordered compensation to be paid for part of the claim.

For more information about the CIPF Coverage Policy, Claims Procedures and guidelines relating to appeal hearings, you may contact CIPF at 416.866.8366 or toll-free at 1.866.243.6981, or visit CIPF's website at www.cipf.ca.

