IN THE MATTER OF

THE MUTUAL FUND DEALER RULES[i]

and

James Benjamin Peddle

NOTICE OF HEARING

NOTICE is hereby given that a disciplinary proceeding has been commenced by the Canadian Investment Regulatory Organization ("**CIRO**") against James Benjamin Peddle (the "**Respondent**"). The first appearance will take place by videoconference before a hearing panel of the Newfoundland and Labrador District Hearing Committee of CIRO (the "**Hearing Panel**") on December 12, 2024, at 11:00 a.m. (Newfoundland Time) or as soon thereafter as the hearing can be held. The Hearing on the Merits will take place by videoconference at a time and venue to be announced. Members of the public who would like to attend the first appearance by videoconference as an observer should contact hearings@ciro.ca to obtain particulars.

DATED this 11th day of October, 2024.

"Michelle Pong"

Michelle Pong
Director, Hearings & Senior Corporate Counsel

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NOTICE is further given that CIRO alleges the following violations of the following MFDA Rules and Mutual Fund Dealer Rules:

Allegation #1: Between December 2010 and November 2021, the Respondent engaged in personal financial and business dealings with clients, which gave rise to conflicts or potential conflicts of interest that the Respondent failed to disclose to the Dealer Member or otherwise ensure were addressed by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to the Dealer Member's policies and procedures and MFDA Rules 2.1.4, 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1).[1]

Allegation #2: Between December 2010 and November 2021, the Respondent engaged in unapproved outside business activities in respect of one or more bowling alley businesses, contrary to the Dealer Member's policies and procedures and MFDA Rules 1.2.1(c) (subsequently MFDA Rule 1.3.2), 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1).[2]

[1] Staff alleges that, at the time of the misconduct, the Respondent contravened MFDA Rules 2.1.4, 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1), which are now incorporated into Mutual Fund Dealer Rules 2.1.4(2), 2.1.1, 1.1.2, and 2.5.1. On June 30, 2021, amendments to MFDA Rule 2.1.4 came into effect, and on July 7, 2022, amendments to MFDA Rule 1.1.2 came into effect. As conduct addressed in this proceeding occurred before and after the amendments to MFDA Rule 2.1.4, the versions of MFDA Rule 2.1.4 that were in effect between February 27, 2006 and June 30, 2021 and between June 30, 2021 and December 31, 2022 are applicable to this proceeding. As conduct addressed in this proceeding pre-dated the amendments to MFDA Rule 1.1.2, the version of MFDA Rule 1.1.2 that was in effect prior to July 7, 2022 applies to this proceeding.

[2] Staff alleges that, at the time of the misconduct, the Respondent contravened MFDA Rules 1.2.1(c), which was renumbered as Rule 1.3.2, 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1), and are now incorporated into Mutual Fund Dealer Rules 1.3.2, 2.1.1, 1.1.2, and 2.5.1. On March 17, 2016, amendments to MFDA Rule 1.2.1(c) came into effect and the Rule was renumbered as MFDA Rule 1.3.2. On July 7, 2022, amendments to MFDA Rule 1.1.2 came into effect. As conduct addressed in this proceeding occurred before and after the amendments to MFDA Rule 1.2.1(c), the version of MFDA Rule 1.2.1(c) that was in effect between December 3, 2010 and March 17, 2016, and the version of MFDA Rule 1.3.2 that was in effect between March 17, 2016 and December 31, 2022 apply to this proceeding. As conduct addressed in this proceeding pre-dated the amendments to MFDA Rule 1.1.2, the version of MFDA Rule 1.1.2 that was in effect prior to July 7, 2022 applies to this proceeding.

Allegation #3: Between October and November 2021, the Respondent made false or misleading statements to the Dealer Member during an investigation into his conduct, contrary to Mutual Fund Dealer Rule 2.1.1.[3]

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by CIRO at the hearing:

Overview

1. As discussed in more detail below, the Respondent owned and operated a bowling alley business known as Paradise Bowl. The Dealer Member approved the Respondent's involvement in the business as an outside business activity. The Respondent failed to disclose to the Dealer Member that he engaged in personal financial and business dealings with multiple clients with respect to Paradise Bowl. In particular, the Respondent entered into business with multiple clients who became shareholders, creditors, and guarantors of loans to the business. The Respondent later sold his interest in the business to a client for $150,000.

2. The Respondent also owned and operated a second bowling alley business known as Plaza Bowl. The Respondent was Plaza Bowl's director and president, and oversaw its operations without disclosing the business to the Dealer Member or obtaining its approval. The Respondent purchased the Plaza Bowl Business from clients through his company JRJA Holdings Ltd. Through JRJA Holdings Ltd., the Respondent obtained a loan of $500,000 from a client and had another client guarantee a $800,000 bank loan to complete the purchase of the Plaza Bowl business. The Respondent failed to disclose to the Dealer Member these conflicts of interest with clients until the Dealer Member began investigating his conduct relating to the bowling alleys described above.

[3] Staff alleges that, at the time of the misconduct, the Respondent contravened MFDA Rule 2.1.1, which is now incorporated into Mutual Fund Dealer Rule 2.1.1 referred to in this proceeding.

3. During the course of the investigation, the Respondent made false or misleading statements to the Dealer Member with respect to the source of monies used to purchase the Plaza Bowl business. These statements concealed the $500,000 loan he obtained from the client and the fact that another client guaranteed the $800,000 bank loan in order to complete the purchase of the Plaza Bowl business.

Registration History

4. From November 16, 2010 until November 26, 2021, the Respondent was registered in Newfoundland and Labrador as a dealing representative with Investors Group Financial Services Inc. (the "**Dealer Member**"), a Dealer Member of CIRO, formerly a Member of the MFDA.[4]

5. From January 24, 2013 until April 1, 2018, the Dealer Member designated the Respondent as a branch manager.

6. On November 26, 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.

7. At all material times, the Respondent conducted business in the St. John's, Newfoundland area.

Allegation #1 – Borrowing From a Client and other Conflicts of Interest with Clients

8. At all material times, the Dealer Member's policies and procedures required its Approved Persons to:

(a) avoid personal financial dealings with clients, and situations that could raise potential conflicts of interest, such as:

(i) borrowing monies from clients;

[4] The Respondent was also registered as a dealing representative with the Dealer Member in Nova Scotia from March 23, 2018 to November 26, 2021, and in Nunavut from February 14, 2018 to November 26, 2021.

(ii) receiving personal loan guarantees from clients; and

(iii) business relationships with clients; and

(b) ensure that any conflict or potential conflict of interest was addressed in the best interests of the client, and to disclose a potential conflict of interest to the Dealer Member.

Paradise Bowl

9. At all material times, client RN was a client of the Dealer Member. Client RN was 72 years old and retired.

10. On or about December 21, 2010, the Respondent entered into business with client RN[5] and another individual, KA[6], with respect to a bowling alley business, Paradise Bowl Inc. ("**Paradise Bowl**"). They became directors of Paradise Bowl, and each contributed $1,000 to purchase shares and provided $39,000 as shareholder loans.

11. In addition, client RN:

(a) guaranteed a lease to own agreement for certain equipment for Paradise Bowl, as well as certain debt obligations of Paradise Bowl;

(b) provided bookkeeping services to Paradise Bowl, for which he received approximately $1,000 per month; and

(c) on or about February 9, 2013, paid $25,000 to purchase a portion of the shares and assume a portion of the shareholder loan held by KA.

12. In or about April 2014, client RN sold his interest in Paradise Bowl to H Inc., which was owned by RO, who at the time was not a client of the Dealer Member. H Inc. also

[5] Client RN purchased shares in Paradise Bowl and provided the shareholder loan through a corporation. In this Notice of Hearing, Staff has referred to client RN even where purchases and transactions were done through client RN's corporation.

[6] KA's shares and shareholder loan were held in KA's spouse's name. In this Notice of Hearing, Staff has referred solely to KA.

assumed client RN's shareholder loan to Paradise Bowl,[7] and client RN's guarantee of the lease to own agreement, as well as certain debt obligations of Paradise Bowl.

13. In or about March 2015, RO became a client of the Dealer Member whose accounts were serviced by the Respondent. In or about January 2018, H Inc. became a client of the Dealer Member, which held an account serviced by the Respondent. At the time both RO and H Inc. became clients of the Dealer Member, H Inc. was a shareholder in Paradise Bowl along with the Respondent and had certain obligations owed to Paradise Bowl as described above.

14. On May 20, 2021, the Respondent entered into an agreement to sell all of his shares in Paradise Bowl to client H Inc. for $150,000.

15. The Respondent's business relationships and dealings through Paradise Bowl with client RN, RO, and H Inc., once the latter two became clients, described above, gave rise to conflicts or potential conflicts of interest that the Respondent did not disclose to the Dealer Member or address by the exercise of responsible judgment influenced only by the best interests of the clients. In particular, the Respondent failed to disclose to the Dealer Member:

(a) client RN becoming a shareholder, creditor, guarantor, and paid bookkeeper of Paradise Bowl; and

(b) client RO, through client H Inc., becoming a shareholder, creditor, and guarantor of Paradise Bowl, and client H Inc.'s purchase of the Respondent's shares in Paradise Bowl.

Plaza Bowl

16. At all material times, clients RO and PR owned HLC Inc., a company that operated a bowling alley business called Plaza Bowl.

[7] As part of the transaction, Paradise Bowl also repaid $10,000 of the shareholder loan owed to client RN.

17. At all material times, client PD was a client and an Approved Person of the Dealer Member.

18. On or about November 30, 2020, the Respondent entered into an agreement to purchase the shares of HLC Inc. for $1,300,000 from clients RO and PR.

19. JRJA Holdings Ltd. was a company that the Respondent incorporated on February 22, 2017, and for which he was a Director. At no time did the Respondent seek or obtain the Dealer Member's approval to establish JRJA Holdings Ltd. or to purchase shares of HLC Inc., as described above.

20. To pay a portion of the purchase price for shares of HLC Inc., on or about January 5, 2021, the Respondent, through JRJA Holdings Ltd., borrowed $800,000 from a bank.

21. To facilitate the loan from the bank, the Respondent solicited client PD to act as a guarantor for the loan.

22. To pay the remainder of the purchase price of shares of HLC Inc., on or about March 12, 2021, the Respondent, through JRJA Holdings Ltd., borrowed $500,000 from client M Inc., a client of the Dealer Member whose accounts were serviced by the Respondent.

23. To loan the monies to JRJA Holdings Ltd., client M Inc. redeemed $300,000 from its accounts at the Dealer Member. The Respondent facilitated the processing of the redemptions on behalf of client M Inc.

24. In March 2021, PR became a client of the Dealer Member whose accounts were serviced by the Respondent.

25. In or about April 2021, the Respondent, through JRJA Holdings Ltd., purchased the shares of HLC Inc. held by clients RO and PR.

26. On July 5, 2022, the bank released client PD from his obligations as a guarantor for its loan to JRJA Holdings Ltd.

27. The Respondent's dealings through JRJA Holdings Ltd., described above, with clients RO, PR, M Inc., and PD gave rise to conflicts or potential conflicts of interest which the Respondent did not disclose to the Dealer Member or address by the exercise of responsible judgment influenced only by the best interests of the clients. In particular, the Respondent failed to disclose to the Dealer Member that:

(a) the Respondent entered into an agreement to purchase the shares of HLC Inc. held by clients RO and PR;

(b) his company, JRJA Holdings Ltd. borrowed $500,000 from client M Inc.; and

(c) client PD provided a guarantee in favour of JRJA Holdings Ltd. to secure the $800,000 bank loan.

28. By engaging in the conduct described above, the Respondent contravened the Dealer Member's policies and procedures and MFDA Rules 2.1.4, 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1).

Allegation #2 – Unapproved Outside Activities

29. At all material times, the Dealer Member's policies and procedure required its Approved Persons to:

(a) obtain approval from the Dealer Member before engaging in an outside activity; and

(b) report to the Dealer Member any changes to approved outside activities within two business days.

Paradise Bowl

30. On or about October 26, 2011, more than 10 months after entering into the Paradise Bowl business with client RN and KA, as described above, the Respondent disclosed Paradise Bowl and sought approval from the Dealer Member.

31. In response to a question on the Dealer Member's outside activity disclosure form to provide details on expected duties and responsibilities with the outside activity, the Respondent wrote, "No expected duties or responsibilities". The Respondent also stated "I have no involvement in day-to-day operations. Strictly an investment vehicle for me."

32. These statements were false or misleading since, during the material time, the Respondent was involved in the operations of the business including equipment and property maintenance and renovations.

33. In response to a question on the Dealer Member's outside activity disclosure form to provide details about any potential conflicts of interest arising from the outside activity, the Respondent wrote, "[n]o potential conflict exists."

34. This statement was false or misleading since client RN was a shareholder, creditor, guarantor, and paid bookkeeper of Paradise Bowl, as described above, which gave rise to conflicts or potential conflicts of interest.

35. Based on the Respondent's representations, the Dealer Member approved Paradise Bowl as an outside activity of the Respondent on or about November 30, 2011.

36. Thereafter, the Respondent failed to disclose the involvement of clients H Inc. and RO in Paradise Bowl and his dealings with them as described above.

37. Between 2015 and 2019, the Respondent completed the Dealer Member's annual consultant questionnaire, which asked whether the Respondent was a shareholder or co-owner of a private business in which a client was also a shareholder or co-owner. In each case, the Respondent answered the question in the negative, which was false or misleading since between 2015 and 2019, client RO, through client H Inc., was a shareholder of Paradise Bowl with the Respondent, as described above.

Plaza Bowl

38. Commencing in or about April 2021, the Respondent became president and director of HLC Inc., and oversaw the operations of the Plaza Bowl business.

39. On or about August 26, 2021, during a branch audit, the Respondent disclosed to the Dealer Member for the first time that he had sold Paradise Bowl and became an owner of Plaza Bowl. This was approximately 9 months after he agreed to purchase the shares of HLC Inc. to become the owner of the Plaza Bowl business, and approximately 4 months after he completed the purchase as described above at paragraph 25.

40. In response to a question on the Dealer Member's outside activity disclosure form about whether any Dealer Member clients would be involved "in any capacity with the outside activity", the Respondent answered, "[n]o". The Respondent's answer was false and misleading at the time since, as described above, the Respondent, through JRJA Holdings Ltd., was indebted to client M Inc., and client PD was a guarantor of the bank loan to JRJA Holdings Ltd. that was used to complete the purchase of shares of HLC Inc. held by clients RO and PR. The Respondent failed to disclose that he, through JRJA Holdings Ltd., had purchased the shares of HLC Inc. that were held by clients RO and PR.

41. Subsequent to the Respondent's disclosure, the Dealer Member commenced an investigation and learned for the first time of the involvement of some of the clients in the Respondent's outside activities, described above; and of the Respondent's ownership and role as a Director of JRJA Holdings Ltd.

42. On or about October 26, 2021, the Dealer Member asked the Respondent to complete an outside activity disclosure form with respect to JRJA Holdings Ltd. On the Dealer Member's outside activity disclosure form, the Respondent answered that no clients would be involved in any capacity in the outside activity. The Respondent failed to disclose the prior dealings between JRJA Holdings Ltd. and clients RO, PR, M Inc., and PD, as described above.

The Dealer Member continued its investigation into the Respondent's conduct, and on November 26, 2021, terminated the Respondent due to the conduct described above.

43. By virtue of the foregoing, the Respondent engaged in unapproved outside business activities in respect of one or more bowling alley business, contrary to the Dealer Member's policies and procedures and MFDA Rules 1.2.1(c) (subsequently MFDA Rule 1.3.2), 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1).

Allegation #3 – False or Misleading Statements to the Dealer Member

44. As described above, the Dealer Member commenced an investigation into the Respondent's conduct.

45. On October 26, 2021, in response to questioning from the Dealer Member, the Respondent wrote in an email to the Dealer Member that the Plaza Bowl business was purchased using "a loan from [the bank] through my holding company of $800,000 and the remainder was put in personally."

46. On November 3, 2021, in response to further questioning from the Dealer Member the Respondent wrote in an email to the Dealer Member, "I did receive a loan for the $800K and the remaining [balance] was given [...] by family to help me out [...]."

47. On November 5, 2021, in response to further questioning from the Dealer Member respecting the sources of monies used to purchase the Plaza Bowl business, the Respondent wrote in an email to the Dealer Member that he had borrowed monies from his sister.

48. These statements to the Dealer Member were false or misleading, since, as described above, the Respondent (through JRJA Holdings Ltd.) purchased the shares of HLC Inc. held by clients RO and PR with client M Inc.'s loan of $500,000 to JRJA Holdings Ltd. The Respondent also failed to disclose that client PD had provided a guarantee in favour of JRJA Holdings Ltd. to secure the $800,000 bank loan.

49. On November 19, 2021, the Dealer Member interviewed the Respondent, at which time he admitted that client M Inc. loaned JRJA Holdings Ltd. $500,000, and client PD personally guaranteed the bank loan of $800,000 to JRJA Holding Ltd. to fund the purchase of shares of HLC Inc. held by clients RO and PR.

50. By virtue of the foregoing, the Respondent made false or misleading statements to the Dealer Member during an investigation into his conduct, contrary to Mutual Fund Dealer Rule 2.1.1.

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that pursuant to Mutual Fund Dealer Rule 1A that any person subject to the jurisdiction of the Mutual Fund Dealers Association of Canada prior to January 1, 2023 remains subject to the jurisdiction of CIRO in respect of any action or matter that occurred while that person was subject to the jurisdiction of the Mutual Fund Dealers Association of Canada at the time of such action or matter.

NOTICE is further given that the Mutual Fund Dealer Rules provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with CIRO;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Dealer Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of the Mutual Fund Dealer Rules of CIRO;
- has engaged in any business conduct or practice which such Hearing Panel in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

(a) a reprimand;

(b) a fine not exceeding the greater of:

(i) $5,000,000.00 per offence; and

(ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;

(c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;

(d) revocation of the authority of such person to conduct securities related business;

(e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;

(f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve** a **Reply** on Enforcement Counsel and **file** a **Reply** with the CIRO Hearing Office within twenty (20) days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, ON M5H 0B4
Attention: Samantha Wu and Maria Di Clemente
Email: swu@ciro.ca and mdiclemente@ciro.ca

A **Reply** shall be **filed** by:

(a) providing 4 copies of the **Reply** to the CIRO Hearings Office by personal delivery, mail or courier to:

Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, ON M5H 0B4
Attention: CIRO Hearings Office; or

(b) transmitting 1 electronic copy of the **Reply** to the CIRO Hearings Office by e-mail at hearings@ciro.ca.

A **Reply** may either:

(i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing; or

(ii) admit the facts alleged and conclusions drawn by CIRO in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by CIRO in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

(a) to **serve** and **file** a **Reply;** or

(b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing as having been proven and may impose any of the penalties described in the Mutual Fund Dealer Rules.

End.

[i] On January 1, 2023, the Investment Industry Regulatory Organization of Canada ("IIROC") and the Mutual Fund Dealers Association of Canada (the "MFDA") were consolidated into a single self-regulatory organization recognized under applicable securities legislation that is called the Canadian Investment Regulatory Organization (referred to herein as "CIRO"). CIRO adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the "Interim Rules"). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation have been incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules. Pursuant to Mutual Fund Dealer Rule 1A and s. 14.6 of By-Law No. 1 of CIRO, contraventions of former MFDA regulatory requirements may be enforced by CIRO.