



ENFORCEMENT REPORT 2020-21

Public Interest Regulator

Protecting Investors and Supporting
Healthy Canadian Capital Markets



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Please note that the Enforcement Report has changed its reporting period to align with IIROC's Annual Report. Unlike prior reports, this report is based on IIROC's fiscal year (April 1 – March 31).

ABOUT IIROC

The Investment Industry Regulatory Organization of Canada (IIROC) is the pan-Canadian self-regulatory organization (SRO) responsible for the oversight of Canada's investment dealers, as well as trading activities on debt and equity marketplaces in Canada.

IIROC is one part of the Canadian securities regulatory framework. This consists of 10 provincial and three territorial securities regulators [collectively the Canadian Securities Administrators (CSA)] and their members, which oversee IIROC.

IIROC's regulatory mandate is to set and enforce high-quality regulatory and investment industry standards, protect investors and strengthen market integrity while supporting healthy capital markets. IIROC pursues this mandate by developing, testing for compliance with and enforcing a broad spectrum of member and market proficiency, conduct and prudential rules.

All investment dealers (also referred to as Dealer Members) and Canadian marketplaces overseen by IIROC are subject to a rigorous regulatory approval process. Individuals wanting to work at Dealer Members in specific roles must satisfy all of IIROC's proficiency requirements and be assessed as "fit and proper". As part of their professional development, they must complete a mandatory number of continuing education requirements every two years.

THE ROLE OF ENFORCEMENT

IIROC's Enforcement Department (Enforcement) is responsible for the enforcement of IIROC's Dealer Member rules (DMRs), relating to the sales, business and financial conduct of its Dealer Members and their registered employees, as well as the Universal Market Integrity Rules (UMIR) relating to the trading activity on all Canadian debt and equity marketplaces.

Enforcement plays a key role in IIROC's pursuit to protect investors and support healthy capital markets across Canada. Enforcement works with IIROC's other departments (including Complaints & Inquiries, the various compliance groups, Trading Review & Analysis, and Registration) to ensure timely identification, investigation and prosecution of regulatory misconduct, as well as the detection and pre-emptive disruption of potential misconduct.

Effective enforcement requires coordinated and cooperative efforts among regulators and other agencies. Where IIROC detects any potential violations of provincial securities acts, we refer such matters to the relevant Canadian Securities Administrators (CSA) jurisdiction. Both Enforcement and Trading Review & Analysis also work with CSA jurisdictions on matters of mutual interest. We also make referrals to other domestic or foreign regulators and agencies and, if there is evidence of potential criminal activity, to the police.

Enforcement must be:

FAIR

IIROC's enforcement process is fair and impartial. Proceedings are based on thorough investigations; the hearing process is transparent and conducted by impartial hearing panels, chaired by legal professionals.

EFFECTIVE

Enforcement aims to promote compliance by sending strong regulatory messages that deter potential wrongdoers and build investor confidence in the Canadian capital markets.

TIMELY

Timely investigation and prosecution of misconduct protects investors and strengthens the public's confidence in self-regulation.

MESSAGE FROM VICE-PRESIDENT, ENFORCEMENT



I am pleased to present the 2020-21 Enforcement Report. The Enforcement Report is an opportunity to update our Member firms, Registered Representatives, and the public on our enforcement priorities and results.

IIROC has made a significant impact this year by the quality and nature of the cases we pursued, settled, and litigated, and by advancing our strategic initiatives. IIROC's Enforcement team is committed to pursuing cases that prevent future wrongdoing and improve industry standards and practices. This year, we continued to see an increase in the number of active contested hearings and a decline in the number of matters resolved by way of settlement. The increase in litigation is partly explained by the seriousness of the sanctions we seek and the impact those sanctions, primarily fines and suspensions, have on those we regulate.

We nonetheless successfully concluded important cases focused on key regulatory priorities and issues, including investor harm, vulnerable clients and firm supervisory failings. This report provides some highlights of these cases and demonstrates our continuing effort to pursue the most impactful cases.

I am also proud to report that the pandemic has not affected IIROC's ability to carry out its enforcement activities. We were able to transition to remote investigations and hearings in a seamless manner and these changes did not affect our objective to be fair, effective, and timely.

The pandemic accelerated the integration of technology into the enforcement process. We plan to integrate remote interviews and hearings into our investigation and proceedings even after the pandemic is over and travel restrictions are eased.

As part of IIROC's three-year Strategic Plan, IIROC continued its efforts this year to seek new ways for Enforcement to address wrongdoing fairly and proportionately. After extensive consultation, IIROC adopted the use of Early Resolution Offers. The Early Resolution Offers promote the efficient resolution of cases at an earlier point in the enforcement process, while also ensuring investor harm is addressed through voluntary acts of compensation and the implementation of remedial measures by firms.

Before closing, I want to thank the entire IIROC Enforcement team for their hard work, determination, and skill in identifying and pursuing misconduct in order to protect the investing public, strengthen market integrity, and improve overall business standards and practices.

I would also like to thank all of our stakeholders. We value our relationships and dialogue with the Canadian Securities Administrators and their provincial and territorial governments, as well as other regulatory authorities with whom we collaborate to close gaps in the system, and industry and investor organizations.

Together, we play important roles in continuing to protect investors and help them meet their financial goals while protecting the integrity of Canada's capital markets.

Charles Corlett

Vice-President, Enforcement

ENFORCEMENT ACTIVITIES

This past year Enforcement transitioned to conducting hearings remotely. We were able to advance investigations and enforcement proceedings by harnessing technology and the experience and skills of our dedicated Enforcement staff (Staff).

We pursued a variety of cases, as you will see in the case highlights below, including several significant cases relating to the adequacy of supervision, internal controls and compliance of Dealer Members. Our focus was not merely on sending a deterrence message to the firms, but on ensuring that adequate remedial measures had been or would be implemented to prevent a reoccurrence of the failures. Remedial measures that are tailored to the specific compliance and supervision failings are an important element in improving overall business standards and practices. A key IROC priority, seniors and vulnerable clients, comprised a quarter of the completed prosecutions against individuals this year.

Also highlighted below are cases addressing the “standards of conduct” expected of individuals and firms regulated by IROC. In September 2016, IROC introduced Rule 1400, which replaced Dealer Member Rule (DMR) 29.1, commonly known as the “conduct unbecoming” rule. Rule 1400, like DMR 29.1, addresses business conduct that demonstrates an unreasonable departure from the high standards and ethics expected of registrants or that is detrimental to the public interest.

ENFORCEMENT ACTIVITIES

Like last fiscal year, the number of active contested matters remain at a higher level than historically. The result of the increase in contested matters over the last two years is that hearings, including appeals of those decisions, remain ongoing from prior years and are not yet reflected in the number of concluded proceedings. Although settlements are cost and resource efficient, provide certainty of outcome and timely deterrence, and therefore should be encouraged as a matter of policy, contested hearings play an important role in effective regulation, despite the increased use of regulatory resources. Contested hearings demonstrate that we are committed to pursuing, and prepared to litigate, what we see as rule breaches that have a serious impact on investors, market integrity and the reputation of the industry. Contested hearings provide an opportunity for hearing panels as impartial decision-makers to interpret the regulatory requirements and the standards that should apply to the conduct of regulated persons, based on industry knowledge, expertise and the application of legal principles.

Where IIROC detects any potential market-related violations by clients of IIROC-regulated firms, we refer such matters to the relevant Canadian Securities Administrators (CSA) jurisdiction. Both Enforcement and TR&A also work with CSA jurisdictions on matters of mutual interest. In 2020-21, TR&A referred 99 market-related cases to the CSA: [Manipulation (27), Insider Trading (41) and other Securities Act Violations (31)].

SELECTED CASE HIGHLIGHTS

SECURITIES POSITION COST REPORTING

TD Waterhouse Canada Inc.

(Contested hearing)

March 17, 2020*

Location

Toronto, Ontario

Rule Violation

- Failure to include position cost information within the quarterly account statement for certain securities positions: DMR 200.2(d)(ii)(F)

Sanction

- Fine of \$4,000,000
- Costs of \$28,497

Effective December 31, 2015, as part of the second phase of the Client Relationship Model, IROC directed the implementation of requirements to provide retail customers with cost information on a quarterly basis for all account positions held at the quarter end. Dealer Members were required to disclose for each account position held: the actual amount paid by the client for the position (the position cost), and for positions added to the account prior to the effective date of the rule to provide either (i) the position cost, (ii) an estimate of the position cost using market value as of December 31, 2015, or (iii) where neither the position cost or estimate could be determined, a notation within the account statement informing the client of this.

TD Waterhouse Canada had the capability of becoming fully compliant with the position cost requirements by December 31, 2015. However, in the spring of 2015, TD Waterhouse Canada identified concerns of potential litigation risks and negative client experience if such cost reporting was implemented. Instead, TD Waterhouse Canada approved an alternative solution that accepted the business risk in having approximately 8% of its client positions non-compliant with the position cost requirements of Rule 200. This 8% represented approximately 175,301 client accounts. The plan was to bring the non-compliant account positions into compliance in mid-2016, but nothing further was done.

* Due to the change in reporting period, we have included cases which were concluded after 2019 but before fiscal year 2020-21 (i.e. January 1 – March 31, 2020).




SELECTED CASE HIGHLIGHTS

SECURITIES POSITION COST REPORTING

TD Waterhouse Canada Inc. (Continued)

TD Waterhouse Canada did not advise IIROC staff or any other securities regulatory authority that a certain percentage of its clients' positions would be non-compliant with the position cost requirements. The IIROC Hearing Panel concluded that "[TDW's] failure to consult or advise its regulator about the non-compliance is deeply concerning. Consultation with IIROC should have been the first step for TDW. Its failure to do so is damaging to the integrity of the regulatory regime." IIROC only became aware of the non-compliance in April 2017 when it received a written complaint from a TD Direct Investing retail client about this issue. Prior to sending the written complaint to IIROC, the client had contacted TD Waterhouse Canada on several occasions.

In imposing the significant fine, the IIROC Hearing Panel accepted Staff's position that "the integrity of the securities industry depends on Dealer Members maintaining high business standards and practices. Those who comply have a right to expect that those who do not will be sanctioned so as to make compliant behavior the only reasonable and practical option."



SELECTED CASE HIGHLIGHTS

SUPERVISION

Richardson GMP Limited and Blair Robert Pytak (Settlement)

Location

Toronto, Ontario

Rule Violation

Richardson GMP

- Failure to supervise: DMR 38.1 and 2500
- Failure to establish and maintain adequate controls relating to certain options trading: DMR 17.2A

Pytak

- Failure to supervise: DMR 38.4

This settlement concerned Richardson GMP's failure to supervise the activities of Preston Henry Smith and Adam William Woodward¹, for extended periods, and to meet the minimum standards for retail customer account supervision. It also concerned Blair Robert Pytak's failure, as Woodward's supervisor, to fully and properly supervise him in accordance with his supervisory responsibilities. In addition, it concerned Richardson GMP's internal control failure in relation to the pricing of certain options positions held in two account holders' accounts that resulted in the equity of the accounts being incorrect.

Richardson GMP's supervision failure regarding the advice and services both Smith and Woodward provided clients occurred at the Tier 1 supervision level at the branch office in Calgary, and at the Tier 2 supervision level at the head office in Toronto. The supervisors failed to identify and address red flags. An IIROC Hearing Panel had previously found that Woodward failed to know his clients, failed to use due diligence to ensure that recommendations were suitable for his clients and engaged in discretionary trading in their accounts.

Richardson GMP took significant remedial measures to address the compliance deficiencies. The measures included increasing overall risk and compliance staffing, enhancing management level risk management and governance, significantly enhancing executive and board visibility into compliance risks, updating policies and procedures and designing and implementing employee training, introducing risk operations, and upgrading technology.

¹ Read more about [Re Smith, 2019 IIROC 13](#) and [Re Woodward, 2018 IIROC 6](#).



SELECTED CASE HIGHLIGHTS

SUPERVISION

Richardson GMP Limited and Blair Robert Pytak (Continued)

Sanction

Richardson GMP

- Fine of \$500,000
- Costs of \$50,000

Pytak

- Fine of \$24,000
- 2-year prohibition on approval as a Supervisor
- Re-write Branch Managers' Examination prior to being approved as a Supervisor

In regard to the internal control failure, the firm's trading system had defaulted to an incorrect market value of \$999.99 for options on the SPX and NDX for positions with a market value of over \$1,000.00. As a result of the mispricing, the true equity in the accounts was frequently less than what was calculated by the system. In addition, the mispricing resulted in the stated market values, which were used to determine the annual fee, being significantly different from the actual account value. Richardson GMP acknowledged that it knew, or should have known, of the fact of the pricing error in or around February of 2014. However, because of inadequate internal controls, Richardson GMP did not take proper action to investigate and correct the mispricing.

SELECTED CASE HIGHLIGHTS

SUPERVISION

Instinet Canada Limited (Settlement)

Location

Toronto, Ontario

Rule Violation

- Failure to comply with its trading supervision obligations to prevent and detect potential contraventions of UMIR 2.2 and UMIR Policy 2.2 by one of its direct electronic access clients, contrary to UMIR 7.1 and UMIR Policy 7.1.

Sanction

- Fine of \$155,000
- Costs of \$15,000

Instinet Canada Limited provides clients with direct electronic access to IIROC-regulated marketplaces.

For over two years, Instinet failed to comply with its trading supervision obligations to prevent and detect potentially manipulative and deceptive trading activities by one of its direct electronic access (DEA) clients. Instinet's client was engaged in proprietary trading and had an electronic routing agreement whereby its orders were routed through Instinet directly to IIROC-regulated marketplaces. The relevant activity originated from a small number of trades at the client.

Orders were entered on visible IIROC-regulated marketplaces that changed the best bid price or best ask price. This affected the price at which trades would occur with orders posted in marketplaces where orders were not visible to marketplace participants. Quote manipulation is a manipulative trading practice whereby orders are entered with no intention that they be executed to temporarily manipulate the price of a security to secure a price advantage to the detriment of other market participants.

Instinet failed to develop and implement policies and procedures that are well designed to ensure that orders entered by the client were not part of a manipulative or deceptive method, act or practice nor an attempt to create an artificial price or a false or misleading appearance of trading activity or interest on the purchase or sale of a security. As a remedial measure, Instinet agreed to review and test its quote manipulation alerts and its written policies and procedures relating to the implementation of the alerts to ensure that they are effective, specifically tailored to its business, and designed to prevent non-compliance by DEA clients.



SELECTED CASE HIGHLIGHTS

SUPERVISION

PEAK Securities Inc. (Settlement)

Location

Montreal, Quebec

Rule Violation

- Failure to establish and maintain a system that allowed adequate supervision of the activities of its personnel: DMR 38.1
- Failure to establish and maintain a system of internal controls and monitoring that was reasonably designed to ensure compliance with IIROC's regulatory requirements, thus failing to fulfil its supervisory responsibilities with respect to the fees invoiced in certain accounts: DMR 38.1 and 2500

Sanction

- Fine of \$130,000
- Costs of \$5,000

PEAK Securities failed to correct deficiencies noted during a previous examination by IIROC's Business Conduct Compliance department, despite its commitment. Eight findings were significant and repeat occurrences in the following areas: Tier 2 supervision, supervision of employees' outside accounts, referral arrangements, internal inspections of business locations and follow-up of problems, supervision of fee-based accounts, monthly supervision of non-trading activities, supervision of social media, and internal control-continuing education. The report also highlighted eleven other findings considered significant by IIROC staff, including the maintenance of the policies and procedures manual, pre-trade disclosure of charges, and remote supervision.

IIROC imposed terms and conditions on PEAK, which required the firm to hire a consultant to address the deficiencies. Accordingly, remedial measures were implemented and the terms and conditions removed.

In regard to the erroneous billing of charges in certain fee-based accounts (overbilling), nearly 500 clients were charged excessive fees totalling approximately \$191,000. PEAK securities reported the problem to IIROC voluntarily and has since made diligent efforts to return this money to its current and former clients.



SELECTED CASE HIGHLIGHTS

SUPERVISION

Laurentian Bank Securities Inc.

(Settlement)

Location

Montreal, Quebec

Rule Violation

- Failure to implement and maintain an adequate trading supervision system and failure to comply with its trading supervision obligations, contrary to UMIR 7.1 and UMIR Policy 7.1

Sanction

- Fine of 250,000
- Costs of \$25,000

IIROC's Trading Conduct Compliance staff identified significant trading supervision deficiencies in 2015 that were not corrected upon their subsequent review. The findings included failures to comply with the firm's trading supervision obligations, including internal reviews and testing, supervision of over-the-counter transactions, debt market trading, third-party electronic access to marketplaces, and best execution.

Between August 2018 and May 2019, Laurentian Bank Securities agreed to terms and conditions recommended by IIROC staff to correct these supervision failings. Laurentian agreed to hire a compliance consultant and prepare and implement a remedial action plan approved by IIROC to strengthen its oversight system, report on monthly progress to IIROC, and to an attestation by the consultant confirming that the deficiencies had been corrected.

In June 2019, IIROC staff conducted a review that found that the remedial plan had been fully implemented and that the identified deficiencies had been corrected. IIROC subsequently removed the terms and conditions. Laurentian subsequently admitted in the settlement agreement that between November 2015 and May 2018, it failed to implement and maintain an adequate trading supervision system and failed to comply with its trading supervision obligations.



SELECTED CASE HIGHLIGHTS

STANDARDS OF CONDUCT

Aaron Jay Rowlatt (Settlement)

Location

Toronto, Ontario – Industrial Alliance Securities Inc.

Rule Violation

- Failure to fulfill gatekeeper responsibilities: Consolidated Rule 1400


Sanction

- Fine of \$50,000, inclusive of full disgorgement of commissions earned
- Successful completion of the Trader Training Course within six months
- Costs of \$7,500

Rowlatt, an investment advisor at Industrial Alliance Securities Inc., facilitated suspicious trading by a group of related clients and insiders of two TSV-listed issuers. Those clients represented approximately 50% of Rowlatt's commission income.

The suspicious trading raised numerous red flags. The clients' trading in the two securities represented a significant percentage of the issuers' daily trading volume (18.4% and 22%). The clients' orders for transactions in the two issuers were unsolicited and represented virtually all their transactional activity. There were frequent deposits of large quantities of securities' certificates followed by the sale of those securities. The clients' trading resulted in a considerable number of upticks in price of the two issuers. On three occasions, Industrial Alliance's compliance department questioned the clients' late day trading, and Rowlatt advised the clients that they could not place orders at the end of the day. Rowlatt was concerned with the upticks but did not raise that concern with the compliance department. Rowlatt did not understand the clients' trading strategy and did not inquire about it. Rowlatt did not knowingly participate in the manipulative scheme and ceased doing business with the clients once the investigation commenced.

Rowlatt failed to fulfill his gatekeeper responsibilities to IIROC-regulated marketplaces, contrary to the standards of conduct expected of him as set out in Consolidated Rule 1400, which requires participants to transact business openly and fairly and in accordance with just and equitable principles of trade.



SELECTED CASE HIGHLIGHTS

STANDARDS OF CONDUCT

Kenneth Aitchison (Settlement)

Location

Montreal, Quebec – Leede Jones Gables Inc.

Rule Violation


- Entering orders on marketplaces in a manner that was not open and fair, and not in accordance with just and equitable principles of trade: UMIR 2.1 and Policy 2.1 (before September 1, 2016) and Consolidated Rule 1400 (after September 1, 2016)

Sanction

- Fine of \$10,000
- 30-day suspension from registration
- Costs of \$1,000

Aitchison, a registered trader, entered 53 irregular buy orders for 28 securities in the pre-open (between 7:00 am and 9:30 am). The orders were entered on markets that allowed participants to execute live trades in the pre-open. Aitchison's trading strategy targeted securities which had undergone a reverse-split the previous day at market close and then entering bids for these securities in the pre-open, at a price substantially below the new implied price resulting from the reverse-split. The trading strategy deliberately positioned Aitchison at a bid price that he knew was well below the implied price of the securities. Aitchison's trading strategy resulted in warnings from Leede Jones Gables Inc. and IIROC on three occasions.

Aitchison had decades of trading experience and should have known that entering bid prices well below the new implied price and thus attempting to trade at unreasonable prices was improper. Aitchison's failure to comply with UMIR 2.1 and Rule 1400 was harmful to market integrity and the reputation of the marketplaces.



SELECTED CASE HIGHLIGHTS

STANDARDS OF CONDUCT

Kindle Briten Blythe (Settlement)

Location

Vancouver, British Columbia –
Harbourfront Wealth Management Inc.

Rule Violation

- Failure to report four client complaints to Dealer Member: DMR 3100
- Misleading staff in sworn interview: Consolidated Rule 1400

Sanction

- Fine of \$10,000
- 9-month suspension from registration
- 6-month close supervision upon registration
- Re-write Conduct and Practices Handbook course
- Costs of \$500

Blythe, a registered representative at Harbourfront Wealth Management Inc., assisted another registered representative, Mohammad Movassaghi, with his clients and primarily performed administrative tasks. Movassaghi was terminated by the firm for forging one client's documents. After Movassaghi's termination, Blythe became broker of record.

Shortly after Blythe became broker of record, four clients emailed Blythe stating that the signatures on their account documents were not theirs. Blythe did not report any of these complaints to anyone at Harbourfront.

Movassaghi entered into a settlement agreement with IIROC regarding one forgery, including an eight-month suspension.² In the course of the investigation of Movassaghi, Staff interviewed Blythe under oath. Staff asked Blythe twice whether she had any information about any other alleged forgeries or client complaints in relation to Movassaghi's conduct.³ Blythe stated that she did not. Blythe misled IIROC Staff, as she had, in fact, received four client complaints regarding alleged forgeries.

² Read more about [Re Movassaghi, 2017 IIROC 46](#).

³ As of April 1, 2021, there are related IIROC allegations outstanding against Mr. Movassaghi.

SELECTED CASE HIGHLIGHTS

STANDARDS OF CONDUCT

Sean Michael Nother (Penalty hearing)

Location

Toronto, Ontario – CIBC World Markets Inc.

Rule Violation

- Participation in illegal gifting club:
Consolidated Rule 1400

Sanction

- Fine of \$20,000
- 22-month suspension from registration
- Costs of \$15,000

Nother was involved in a gifting club that he knew or should have known was a pyramid scheme. Nother involved five clients and four non-clients in the gifting club.

The gifting club had an initial buy-in of \$5,000 and, as the participant recruited other participants, he or she moved up the ladder, eventually to the top of the pyramid. When the participant reached the top of the pyramid, he or she was to receive a payment of \$40,000, referred to as a “gift.” Nother did not join the club personally as he knew he was not permitted to be involved in outside business activity without the consent of the firm. Instead, his spouse joined the club and was not required to pay the buy-in of \$5,000 due to their personal friendship with one of the gifting club’s organizers.

Nother discussed the gifting club with seven clients, five of which joined the club. He also discussed the club with non-clients, four of which joined the club. Nother kept a document with the names and contact information of the individuals who joined the club, which he provided to the gifting club’s organizers.

In imposing the sanctions, the IIROC Hearing Panel concluded that Nother “has already paid a heavy price for his misconduct. . . . we took into account the fact that the Respondent lost his job as a result of his misconduct, that he has been unemployed for 16 months as at the date of the Hearing, that he suffered financially and that an additional suspension will result in additional financial loss. A suspension usually has a significant financial impact on respondents and their book of business.” The IIROC Hearing Panel stated, however, “in arriving at the appropriate length of suspension, the Panel must also give sufficient weight to general deterrence and the public interest. In all the circumstances, the Panel concludes that a suspension of 22 months from January 16, 2019 until November 16, 2020, together with a fine and a cost award, are appropriate sanctions to satisfy the objectives of specific and general deterrence, market integrity and the public interest.”



SELECTED CASE HIGHLIGHTS

OUTSIDE BUSINESS ACTIVITIES

John Richard Belknap (Settlement)

Location

Toronto, Ontario – Scotia Capital Inc.

Rule Violation


- Engaged in undisclosed outside business activities in relation to three private companies: DMR 18.14
- Engaged in undisclosed business activities in relation to the purchase and sale of art: DMR 18.14

Sanction

- Fine of \$175,000
- A permanent bar from registration in any capacity
- Costs of \$10,000

Belknap, a Registered Representative at Scotia Capital Inc., engaged in a variety of business activities in relation to three private companies using his Scotia Capital email address including facilitating the raising of capital for the companies, organizing shareholder meetings, assisting the CEO with investor liaison, and using Scotia Capital employees for administrative tasks for the company. Belknap's activities involved his clients and included facilitating investments in and loans to both the companies and their primary investors, which, in one case was the company's CEO.

Belknap engaged in an undisclosed outside business activity to buy and sell works of art to generate a profit through an art club, which had a membership fee of \$15,000. Belknap and his spouse solicited art club memberships from his clients and organized meetings. His spouse had joint authorization over the art club's bank account. No payments were ever made to any of the art club members.



SELECTED CASE HIGHLIGHTS

OUTSIDE BUSINESS ACTIVITIES

Dean Martin Jenkins (Contested hearing)

Location

Toronto, Ontario – Edward Jones Inc.

Rule Violation

- Facilitated off-book investments for several clients without the knowledge or approval of his Dealer Member, and received remuneration for the investments, contrary to Dealer Member Rules 18.14 and 29.1 (now Consolidated Rule 1400)

Sanction

- Disgorgement of \$55,450
- A permanent bar from registration
- Costs of \$2,500

Jenkins, a Registered Representative with Edward Jones Inc. recommended and facilitated the off-book purchase of high-risk syndicated mortgage investments for numerous clients, without telling his firm about his involvement with these products or his clients' investments. He received compensation of at least \$54,000 because of his clients' off-book purchases.

In 2016, Jenkins began working for a member firm of the Mutual Fund Dealers Association (MFDA) and continued to recommend, sell, or facilitate the sale of an additional \$1,079,350 of the same syndicated mortgage off-book investments to an additional 11 clients and five other investors without the firm's knowledge or approval. An MFDA Hearing Panel imposed a fine of \$30,000, a permanent bar on registration with the MFDA, and costs of \$2,500.

In its sanction decision, the IIROC Hearing Panel stated, "off-book dealings are serious misconduct and a significant breach of the IIROC Dealer Member Rules because they remove the Member's ability to supervise and address issues such as suitability." The IIROC Hearing Panel concluded that despite Jenkins' "precarious financial situation", "we are more concerned about the financial devastation his clients/investors are suffering because of his misconduct. Eleven of his clients and seven other investors invested a total of \$980,000 – at least one investor invested 95% of her portfolio in these syndicated mortgages. The total losses are unknown, but investors lost at least 80% of their investment. In the face of these losses which were the direct result of the Respondent's actions, we cannot allow him to keep the benefits of his misconduct regardless of his financial circumstances." The Hearing Panel noted that Jenkins' misconduct would ordinarily result in the imposition of a significant fine, but were satisfied, on the evidence presented, that Jenkins could not pay an additional fine.



SELECTED CASE HIGHLIGHTS

SUITABILITY

Wayne Frederick Workun (Settlement)

Location

Calgary, Alberta – Leede Jones Gable Inc.

Rule Violation

- Failure to use due diligence to ensure that recommendations were suitable for one client: DMR 1300.1 (q)
- Engaging in discretionary trading with respect to the accounts of one client without being authorized to and approved to do so: DMR 1300.4

Sanction

- Fine of \$40,000
- 60-day suspension from registration
- 1-year suspension from acting as Branch Manager
- Re-write Conduct and Practices Handbook
- Costs of \$2,500

Workun, a branch manager at Leede Jones Gable Inc., managed his mother's accounts while she was a retired widow. His mother had symptoms of dementia and did not have consistent capacity to make financial decisions or understand investment recommendations. Workun pursued a high-risk investment strategy that was not suitable for her, and instead, reflected that upon his mother's passing he would share the estate equally with his sister.

The strategy primarily involved trading in a high concentration of oil and gas and mining companies, including speculative holdings in junior companies. It was a long-term investment strategy that had been used in his mother's accounts but not updated or altered as her life circumstances changed in her later years. Workun also engaged in discretionary trading in his mother's accounts without being authorized and approved to do so. Over a four-year period, his mother's accounts sustained a total net loss of over \$617,000, representing 91% of her portfolio.

SELECTED CASE HIGHLIGHTS

SUITABILITY

Robert Adrian Crandall

(Contested hearing)

Location

Saint John, New Brunswick

Rule Violation

- Excessive trading in the accounts of a client, which was not within the bounds of good business practices and was unsuitable for the client: DMR 1300.1(o) and (q)
- Engaging in unauthorized trading in the accounts of a client: DMR 1300.4

Sanction

- Fine of \$150,000
- Five-year suspension from registration
- Re-write Conduct and Practices Handbook
- 18-month period of strict supervision
- Costs of \$35,000

This matter stemmed from a 2013 complaint by one of Crandall's elderly clients alleging excessive trading in her accounts. This led to an investigation and enforcement proceeding, resulting in a May 2016 decision finding that Crandall had contravened IIROC rules and a penalty decision in October 2016 imposing the above-noted sanctions.

Crandall brought an application for hearing and review of the IIROC Hearing Panel decision to the New Brunswick Financial and Consumer Services Tribunal (the Tribunal). The Tribunal accepted that the IIROC proceeding had been unfair to Crandall as he did not have access to documents and notes from his former firm that he asserted would establish that he had not contravened any IIROC Rules. There was evidence that some of Crandall's notes and potentially relevant documents had been destroyed. During the investigation and proceeding, IIROC staff had made numerous requests to discover and obtain documents from the firm. Crandall chose not to testify at the IIROC hearing because he did not have his notes. The Tribunal accepted Crandall's argument that the missing notes were vital to his ability to make full answers and defence to the allegations against him. The Tribunal found that the failure to locate and provide the documents to Crandall was a breach of IIROC's duty of procedural fairness and stayed the proceeding against him.

IIROC appealed the Tribunal's decision to the New Brunswick Court of Appeal. The appeal focussed on the procedural fairness obligations owed by IIROC and the consequences of the loss or destruction and consequential non-disclosure of documents and notes in the possession of the firm where Crandall had been employed at the time of the conduct.



SELECTED CASE HIGHLIGHTS

SUITABILITY

Robert Adrian Crandall (Continued)

The Court found that Staff did not breach its duty of fairness to Crandall, having repeatedly requested the documents and disclosed the results of the inquiries to him. The Court concluded that “one simply cannot come to the conclusion IIROC staff had an obligation to produce documents it was told either never or no longer existed or could not be found. To conclude otherwise would be absurd.”

The Court also clarified regarding the consequences of the lost or destroyed documents that “Crandall would have had to establish before the IIROC panel that the loss or destruction of documents caused him actual prejudice. This would have been assessed in light of the rest of the evidence before the panel. Mr. Crandall chose not to testify and failed to establish actual prejudice. In these circumstances, the Tribunal erred in finding this was a disclosure case and in ordering a stay of proceedings.”

The Court also found that the Tribunal’s process for conducting the hearing and review was improper and unfair to IIROC.

The Court of Appeal restored the decision of the IIROC Hearing Panel.

ENFORCEMENT'S STRATEGIC INITIATIVES

As part of IIROC's 2020-22 Strategic Plan, Enforcement focused on two key initiatives: strengthening IIROC's legal authority and protection; and developing alternative forms of disciplinary action.

As stated in the 2019 Enforcement Report, IIROC reached significant achievements in obtaining expanded legal authority with respect to fine collection powers. In addition to the realities of the pandemic this past year, Enforcement focused its efforts on advancing its proposals for Alternative Forms of Disciplinary Action.

1. Alternative Forms of Discipline: Early Resolution Offers

It is important for Enforcement to be both strong yet fair in the execution of its mandate. To that end, over the past few years, IIROC has been considering alternative forms of disciplinary action to provide greater flexibility and the right complement of tools to ensure a properly tailored enforcement response. A response that is firm, timely, and proportionate to the circumstances.

On April 8, 2021, we announced the adoption of a Staff Policy Statement on Early Resolution Offers.⁴ The Staff Policy Statement on Early Resolution Offers is intended to promote the timely resolution of cases, increase the application of the Staff Policy Statement on Credit for Cooperation, and encourage firms to implement timely compensation and remedial measures.

Dealer Members and Approved Persons who choose to resolve a case by Early Resolution Offer will be granted a reduction of 30% on the sanctions Staff would otherwise seek in a settlement agreement and a quicker resolution of the proposed enforcement proceeding. The Staff Policy Statement on Early Resolution Offers sets out the criteria Staff will consider in determining whether to make an Early Resolution Offer and the contents of such an offer.

Concurrently, we also announced that IIROC would be withdrawing proposed amendments to implement a Minor Contravention Program. After reviewing the concerns expressed by public commenters, we decided to withdraw the amendments in order to address those concerns. We intend to consider revisions or alternatives to the program and engage with various stakeholders to advance any new proposals.

⁴ [Enforcement Notice: Staff Policy Statement – Early Resolution Offers](#)

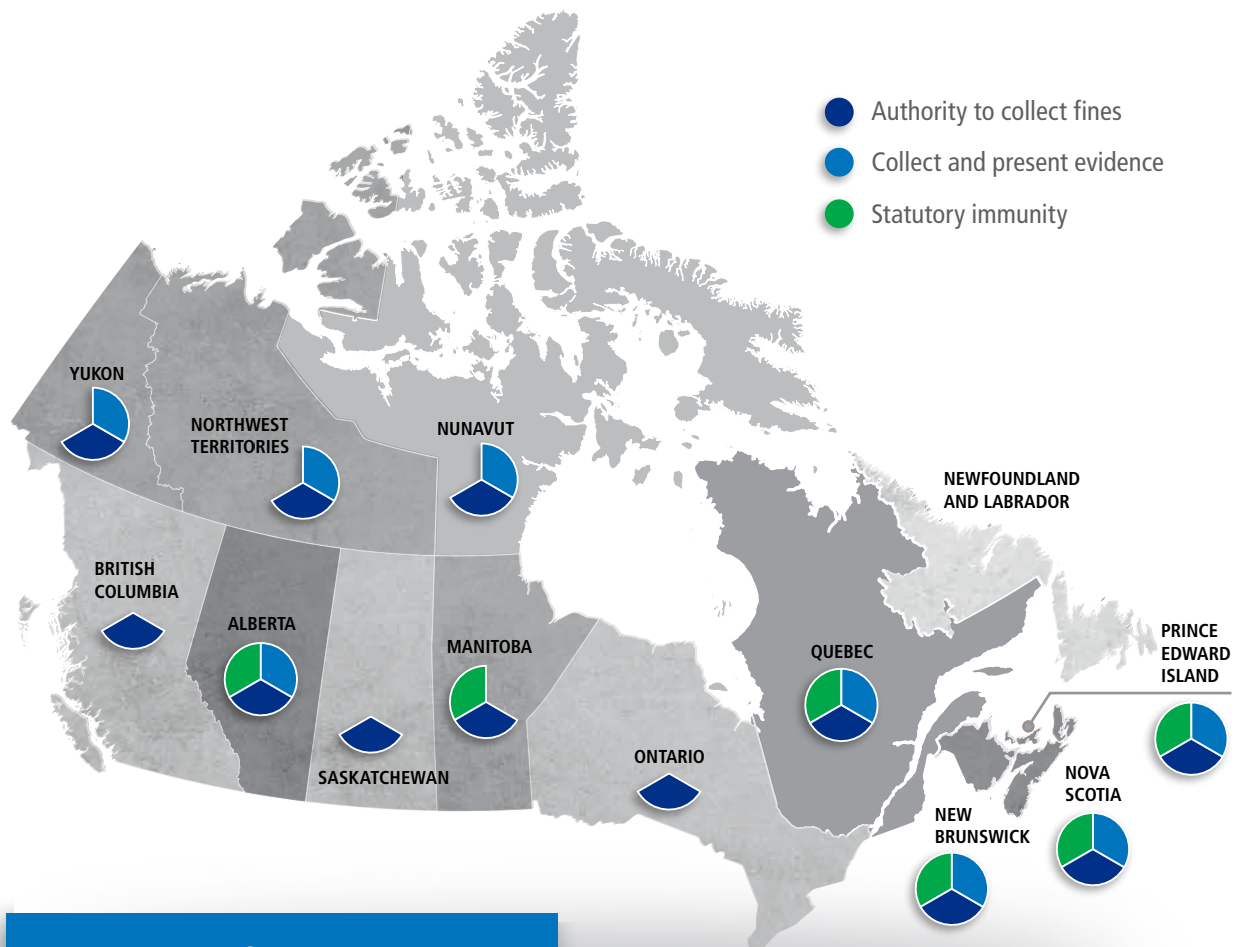
ENFORCEMENT'S STRATEGIC INITIATIVES

2. IIROC's Expanded Legal Authority

For several years, IIROC has sought to strengthen its legal authority and enhance its protection across every Canadian jurisdiction. We specifically focused on acquiring the full enforcement toolkit, which consists of: (i) the authority to collect fines through the courts, (ii) expanded authority to collect evidence at the investigative and hearing stage; and (iii) statutory immunity for IIROC and its personnel when acting in the public interest.

While understandably no additional powers were obtained since the pandemic began, we will continue to make efforts to add to these powers through targeted requests to provincial governments.

As of March 31, 2021, the following additional legal authority and protections have been granted to IIROC:



To view the full interactive enforcement map, [click here](#).

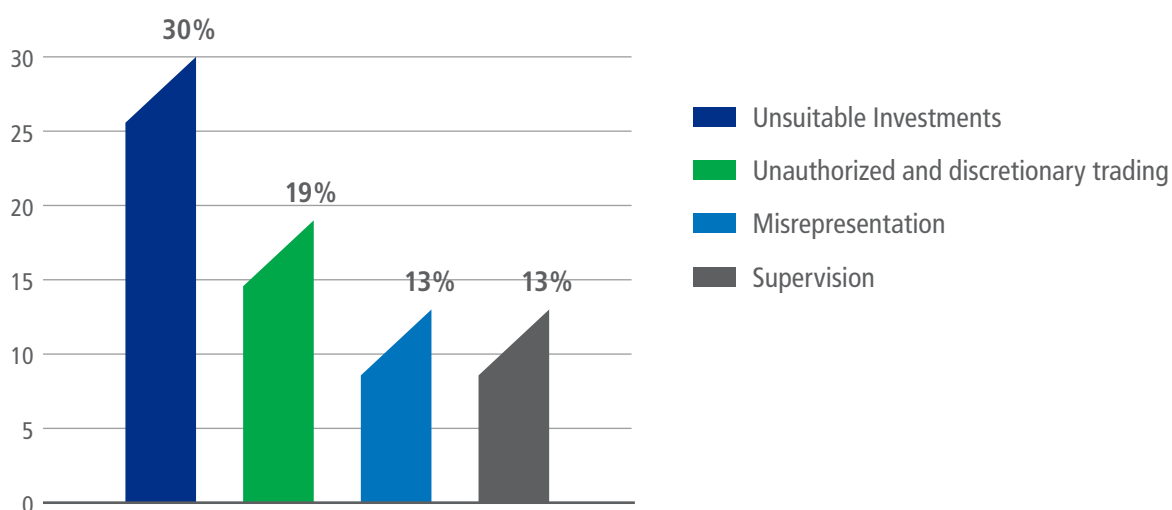
ENFORCEMENT STATISTICS

Complaints

Sources of Complaints Received by IIROC Enforcement

SOURCE	FY21	FY20	FY19	FY18	FY17
Public	238	194	164	185	180
ComSet	1,110	1,036	881	906	1,062
Internal (from other IIROC departments)	24	22	36	41	30
Other SROs and Commissions	15	19	20	16	23
Other (media, Dealer Members and whistleblowers)	9	12	8	5	2
TOTAL	1,396	1,283	1,109	1,153	1,297

Top Complaints Reviewed by Case Assessment



ENFORCEMENT STATISTICS

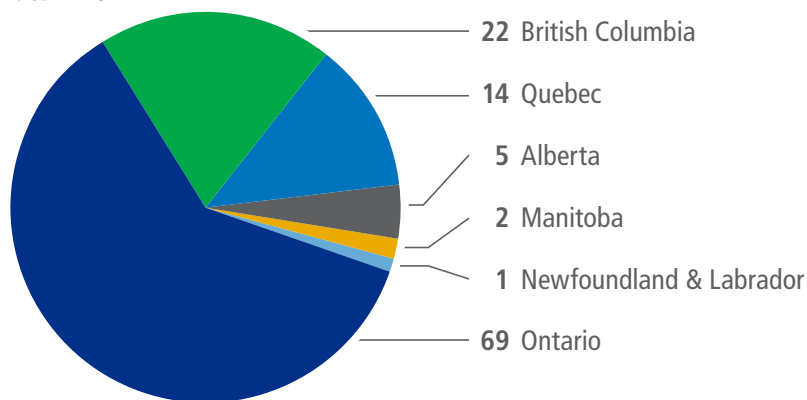
Investigations

Investigations Completed

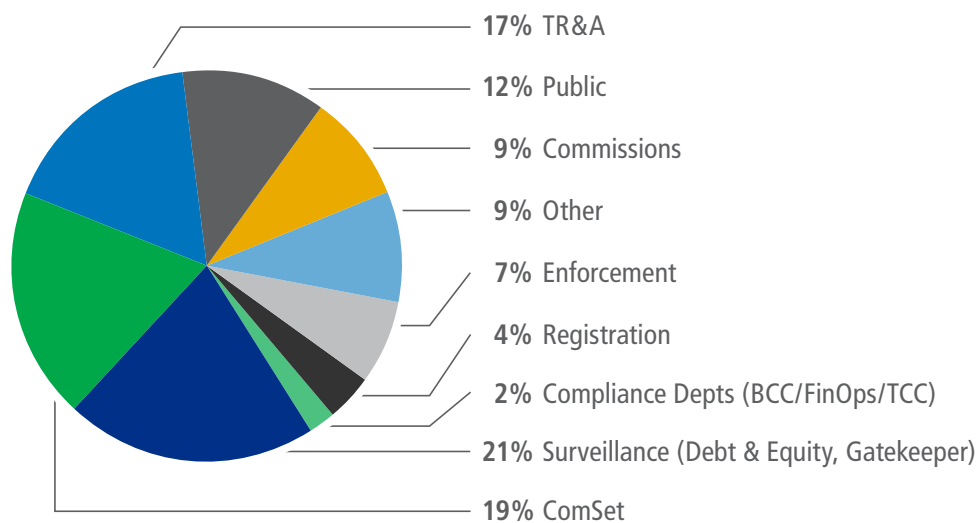
	FY21	FY20	FY19	FY18	FY17
Number of Investigations completed	113	112	127	123	128
Percentage of files referred to Prosecutions	25%	35%	38%	46%	43%

Completed Investigations by Province

Total 113



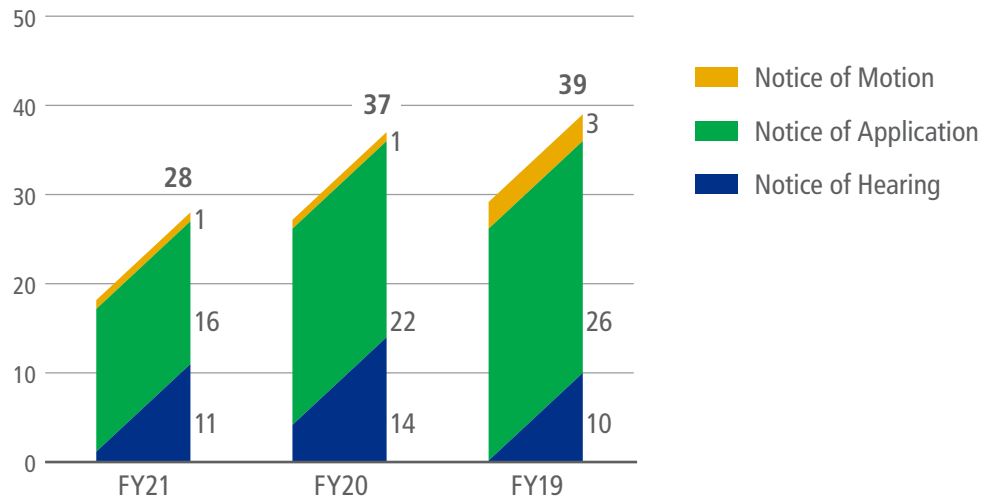
Completed Investigations by Source (% breakdown)



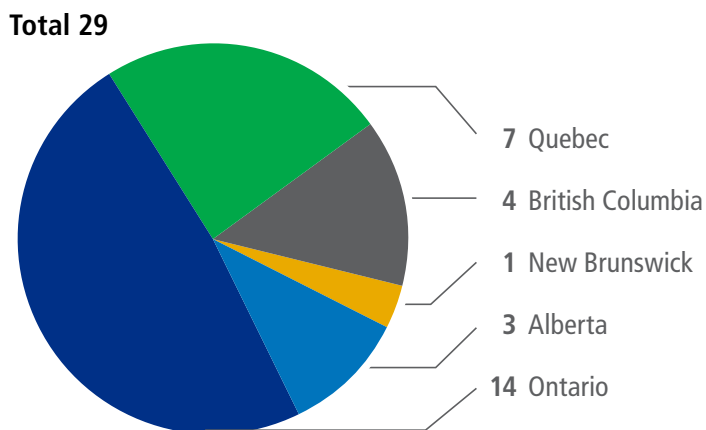
ENFORCEMENT STATISTICS

Prosecutions

Disciplinary Proceedings Commenced



Completed Prosecutions* by Province

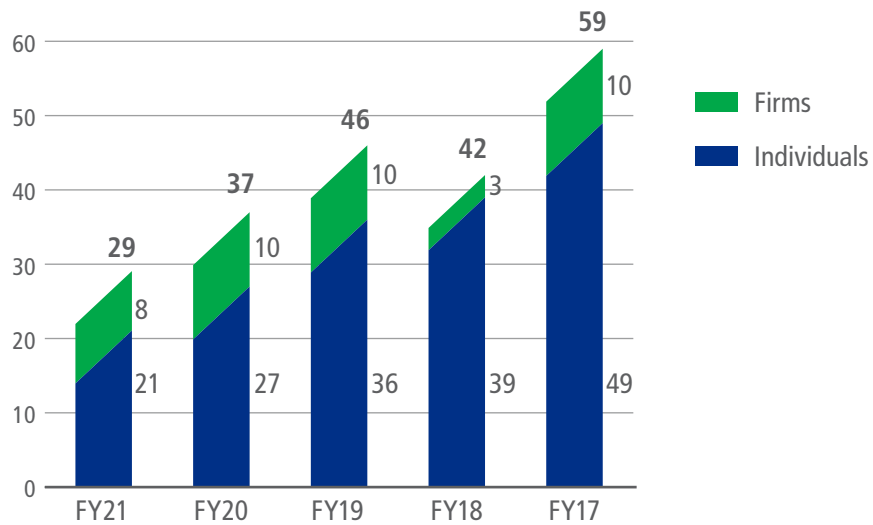


* Prosecutions refer to completed prosecutions where an IIROC hearing panel, securities commission or court has made a final decision including any sanction ordered. Any decisions under appeal are not included.

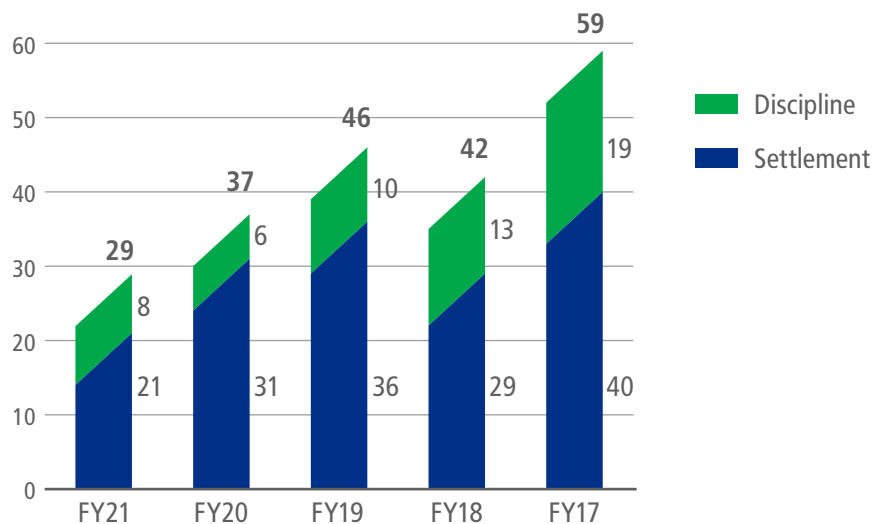
ENFORCEMENT STATISTICS

Prosecutions

Completed Prosecutions – by Respondent Type



Completed Prosecutions – by Hearing Type*



* see Appendix D for description of Hearing types

ENFORCEMENT STATISTICS

Prosecutions

Appeals

In general, either a disciplined individual or IIROC Staff can appeal IIROC disciplinary decisions to the relevant provincial/territorial securities commission or applicable reviewing body. An appeal will involve a review of the merits of the liability and/or penalty decision. Where an appeal is dismissed, the original IIROC decision remains in effect, including the penalties imposed. In FY2021, appeals were launched, argued and/or concluded in a number of matters:

- **Robert Crandall** (New Brunswick)
Appeal allowed, original IIROC decision reinstated.
- **Michael O'Brien** (Alberta)
Appeal allowed in part, penalty reduced.
- **Joseph Debus** (Ontario)
Appeal ongoing.
- **Shirley Locke** (Nova Scotia)
Appeal ongoing.
- **Douglas John Eley** (Ontario)
Appeal dismissed, original IIROC decision confirmed, appeal to Ontario Divisional Court pending.
- **Alvin Rupert Jones** (Ontario)
Appeal ongoing.
- **Dwight Cameron Mann** (British Columbia)
Appeal ongoing.

ENFORCEMENT STATISTICS

Prosecutions

Completed Prosecutions – by Regulatory Violation

INDIVIDUALS DISCIPLINED	FY21	FY20	FY19	FY18	FY17
Complaint handling	1	1	0	0	0
Discretionary trading	5	3	5	5	10
Fail to cooperate	0	1	3	2	6
Forgery	0	1	0	2	0
Gatekeeper	2	2	0	0	0
Inappropriate personal financial dealings	3	2	10	6	9
Inadequate books and records	0	0	1	1	0
Misappropriation	0	0	0	1	4
Misrepresentation	1	2	1	0	4
Manipulation & deceptive trading	1	1	2	1	3
Off-book transactions	1	0	1	4	1
Outside business activities	2	0	3	1	3
Suitability/Due diligence/Handling of client accounts	8	11	14	20	25
Supervision	2	2	3	4	8
Trading conflict of interest	0	0	0	4	0
Trading without appropriate registration	0	1	1	0	0
Unauthorized trading	1	3	3	3	8
Undisclosed conflict of interest	0	0	2	3	1
Other	2	5	3	0	0

FIRMS DISCIPLINED	FY21	FY20	FY19	FY18	FY17
Capital deficiency	0	1	0	0	1
Failure to handle client accounts	0	1	0	0	1
Inadequate books and records	0	1	1	0	0
Internal controls	1	1	2	0	1
Protective order/firm winding down	2	1	2	0	2
Supervision	5	2	7	3	7
Other	0	4	1	0	0

ENFORCEMENT STATISTICS

Prosecutions

Sanctions Imposed

FIRMS	FY21	FY20	FY19	FY18	FY17
Decisions	8	10	10	3	10
Fines	\$1,110,000	\$5,875,000	\$860,000	\$420,000	\$770,000
Costs	\$105,000	\$93,497	\$55,500	\$41,500	\$102,000
Disgorgement	\$0	\$16,242	\$0	\$100,000	\$0
Total	\$1,215,000	\$5,984,739	\$915,500	\$561,500	\$872,000
Permanent suspension	1	1	0	0	1
Termination	2	1	2	0	2

INDIVIDUALS	FY21	FY20	FY19	FY18	FY17
Decisions	21	27	36	39	49
Fines	\$766,500	\$937,500	\$2,207,500	\$2,870,000	\$3,314,000
Costs	\$121,500	\$127,000	\$359,000	\$392,129	\$502,000
Disgorgement	\$88,851	\$31,423	\$237,360	\$685,035	\$118,011
Total	\$976,851	\$1,095,923	\$2,803,860	\$3,947,164	\$3,934,011
Suspension	13	13	17	18	25
Permanent bar	2	3	3	6	7
Conditions	12	19	23	20	25

ENFORCEMENT STATISTICS

Prosecutions

Collection Rates*

The chart below sets out the percentages collected, to date, of penalty assessed in a given year. Assessed penalties do not include penalties imposed during the year for cases that have been appealed or are still within the time period to appeal.

While we typically collect 100 percent of penalties from firms, there are circumstances where firms do not pay, such as insolvency issues and/or suspension by IIROC. Firms that do not pay are no longer IIROC members in good standing.

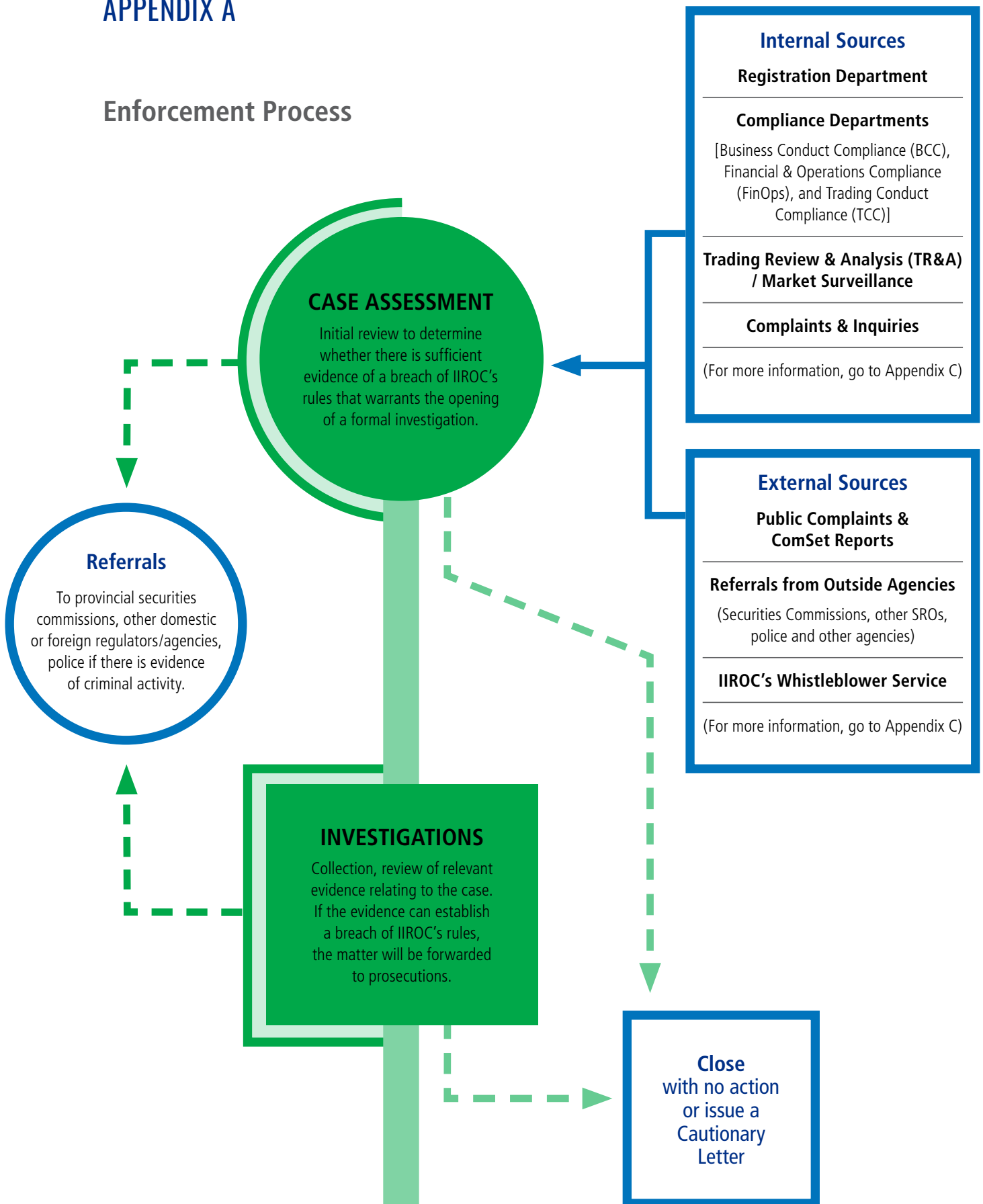
Collection rates for a given year may increase over time as IIROC does continue to collect monies in years after the penalties were originally assessed.

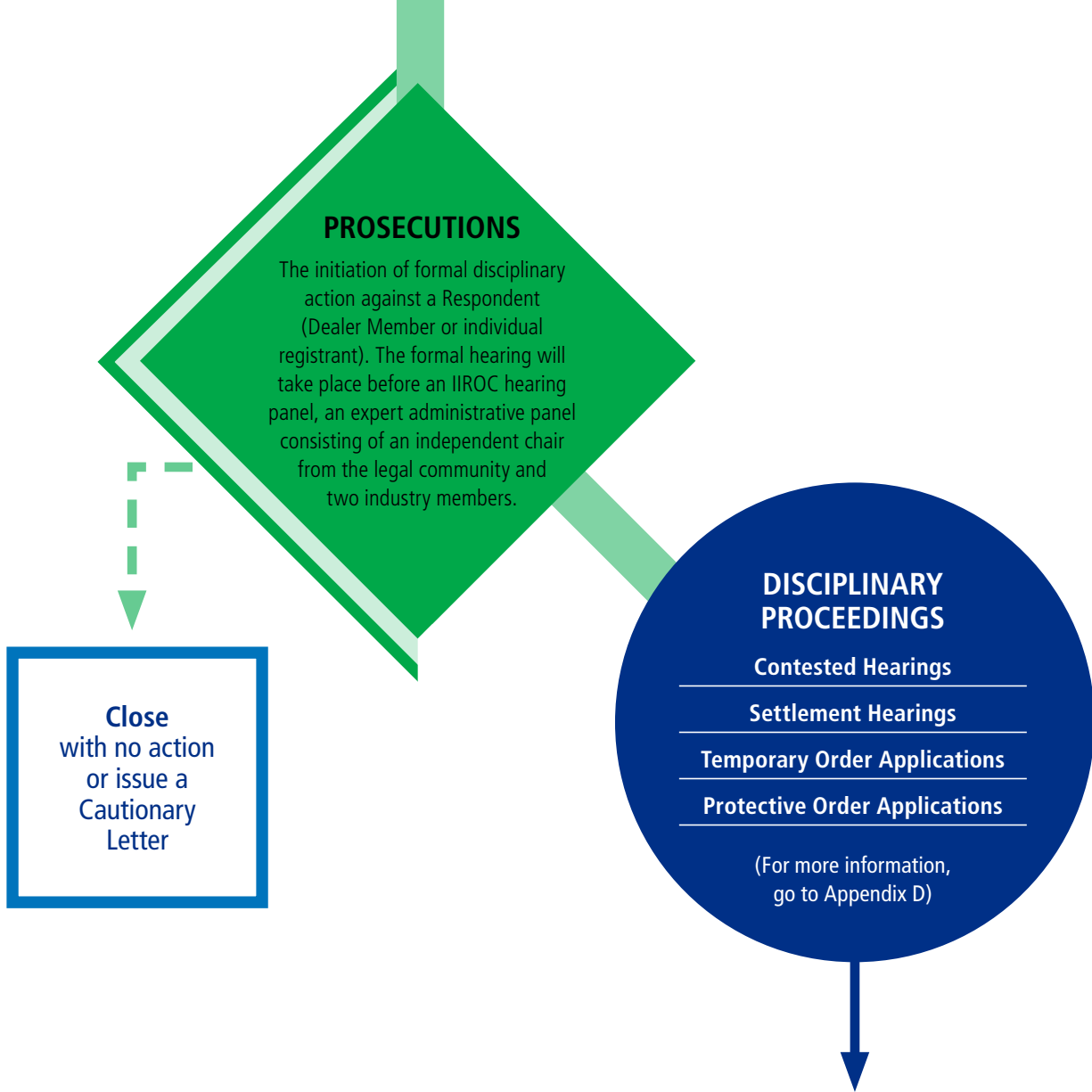
	FY21	FY20	FY19
Individuals	31%	77%	39%
Firms	100%	99%	100%

* based on monies collected for fines, disgorgement and costs ordered

APPENDIX A

Enforcement Process





Use of Fines and Cost Awards

All fines collected can only be used for certain purposes as designated in the Canadian Securities Administrators' Recognition Orders of IROC. This includes education or research projects that are in the public interest, the administration of disciplinary panels and/or the development of programs or systems to address emerging regulatory issues that relate to investor protection or the integrity of the capital markets. See Fine Collection Rates on page 31.

Pursuant to IROC Rules, IROC cost awards are used to pay for any costs incurred by IROC in relation to its investigations and hearings.

PENALTIES

If a Dealer Member or individual registrant is found to have violated IROC rules, the following penalties may be imposed:

FIRMS	INDIVIDUALS
A reprimand	A reprimand
Fines, up to a maximum of \$5 million per contravention or an amount equal to three times the profit made, or loss avoided	Fines, up to a maximum of \$5 million per contravention or an amount equal to three times the profit made, or loss avoided
Imposition of conditions on membership	Imposition of conditions on registration
A period of suspension	A period of suspension
Expulsion	A permanent ban

APPENDIX B

IROC Disciplinary Actions

January 1, 2020 to March 31, 2021

INDIVIDUALS

Complaint Handling

Kindle Briten Blythe

Discretionary Trading

Jin Li

Wayne Frederick Workun

Merlyn Black

Paul Brum

Robert Adrian Crandall

Gatekeeper

Christian Desmarais

Aaron Jay Rowlatt

Inappropriate Personal Financial Dealings

Sean Michael Nother

Michael Francis O'Brien

Naghmeh Sabet

Manipulation & Deceptive Trading

Kenneth Aitchison

Misrepresentation

Michael Francis O'Brien

Other

Paul Barreca*

Michael Alexander McKee*

Zubin Justin Driver*

Christian Desmarais

Outside Business Activities

John Richard Belknap

Dean Martin Jenkins

Patrick John Lilly

Suitability/Due Diligence/ Handling of Client Accounts

Joseph Marcel Denis Rochon*

Michael Alexander McKee*

Thomas William Dunn*

Darren Maurice Sampson

Wayne Frederick Workun

Emmanuel Martel

Paul Brum

Robert Adrian Crandall

Glenn Molson

Naghmeh Sabet

Brian Anthony Peters

Supervision

Blair Robert Pytak

Elizabeth St-James

Unauthorized Trading

Zubin Justin Driver*

Brian Anthony Peters

FIRMS

Failure to Handle Client Accounts

Gravitas Securities Inc.*

Inadequate Books and Records

TD Waterhouse Canada Inc.*

Internal Controls

Peak Securities Inc.

Other

TD Waterhouse Canada Inc.*

Protective Order/ Firm Winding Down

PACE Securities Corp.

Octagon Capital Corporation

Dominick Capital Corporation

Supervision

Laurentian Bank Securities Inc.

Instinet Canada Limited

Richardson GMP Limited

Peak Securities Inc.

Mackie Research Capital
Corporation

* Denotes case concluded between January to March 2020.

APPENDIX C

Enforcement Information Sources

Enforcement cases are based on information drawn from a variety of internal and external sources.

Internal Sources

Registration Department: On occasion, the circumstances surrounding the termination of an individual registrant requires further investigation.

Compliance Departments [Business Conduct Compliance (BCC), Financial Operations Compliance (FinOps), and Trading Conduct Compliance (TCC)]: Issues and deficiencies noted in compliance examination reports sometimes form the basis for some of Enforcement's most significant disciplinary cases.

Trading Review & Analysis (TR&A)/ Market Surveillance: The TR&A and Market Surveillance Departments oversee all equity and debt trading on Canadian marketplaces and serve as Enforcement's primary source of market-related enforcement cases.

Complaints & Inquiries (C&I) Team: The C&I team is the primary contact for investor inquiries and complaints. Where alleged regulatory violations are suspected, C&I refers the majority of the complaints it receives to Enforcement for further assessment. C&I can be reached by phone (1-877-442-4322), email (investorinquiries@iiroc.ca) or by filing an online complaint form (www.iiroc.ca).

External Sources

ComSet Reports: IIROC rules require Dealer Members to inform IIROC when certain events occur by using IIROC's *Complaints and Settlement Reporting System (ComSet)*. These include written client complaints received by a Dealer Member; criminal charges against a Dealer Member or any of its individual registrants; or a securities-related civil claim brought by a client. These reportable events represent Enforcement's primary source of external enforcement-related information, and one of the most significant sources of enforcement cases.

Outside Agencies: Enforcement receives referrals from Canadian provincial securities regulators, international securities regulatory bodies and other public agencies, including law enforcement officials.

IIROC's Whistleblower Service: IIROC operates a Whistleblower Service designed to receive, evaluate and take prompt and effective action on information based on first-hand knowledge or tangible evidence of potential systemic wrongdoing, securities fraud and/or unethical behaviour by IIROC-regulated individuals or firms. The Whistleblower Service can be reached by phone (1-866-211-9001) or email (whistleblower@iiroc.ca).

APPENDIX D

Types of Disciplinary Proceedings

Following the completion of an investigation, Enforcement staff will assess the evidence collected and decide whether to prosecute a Dealer Member or individual registrant for a breach of IIROC rules. When deciding to prosecute, IIROC initiates a formal disciplinary action against the Dealer Member or individual registrant (both referred to as the Respondent in a disciplinary proceeding).

Formal disciplinary action will take the form of either a contested hearing or a settlement hearing.

Contested Hearings

Where the Respondent does not admit to the alleged violation of IIROC rules, a contested hearing is held. Enforcement Staff must prove the allegations set out in the Notice of Hearing – the formal document that initiates disciplinary action. Similar to traditional court proceedings, an IIROC hearing involves Staff presenting documentary evidence and oral evidence, through witnesses, to make its case. The Respondent has the right to challenge IIROC's case by cross-examining witnesses and presenting evidence.

The hearing panel, which is normally comprised of one former judge and two active or retired industry members, decides whether IIROC has proven its case against the Respondent and if so, determines the appropriate penalty.

While IIROC generally does not have the legal authority to compel witnesses or Respondents to attend disciplinary hearings, a Respondent's failure to attend a hearing does not affect Enforcement's ability to proceed with the hearing. In these cases, the hearing will proceed in the Respondent's absence and the hearing panel may accept the allegations as proven without calling any formal evidence.

Settlement Hearings

In settlement hearings, Enforcement Staff and the Respondent agree, in writing, on the rule(s) violated by the Respondent, the underlying facts and the penalties for the agreed upon violations. The parties must present the agreement to the hearing panel and explain why the panel should accept it. The panel may accept or reject the settlement agreement.

APPENDIX D

Like many other professional regulatory bodies, the majority of IIROC's disciplinary matters are resolved by way of settlement.

Enforcement also has the ability to initiate two other types of proceedings: Protective Order Applications and Temporary Order Applications.

Protective Order Applications

Generally speaking, a protective order application is an emergency proceeding that permits Enforcement staff to quickly initiate a proceeding against a Respondent. The purpose of the proceeding is to protect investors in circumstances where the Respondent is not able to continue in business without contravening IIROC's rules. Typically, such circumstances include:

- Bankruptcy;
- Financial or operating difficulty of a Dealer Member; and
- Criminal charges laid against the Dealer Member or individual registrant.

At the conclusion of a protective order proceeding, the hearing panel has the authority to impose a variety of sanctions on the Respondent, similar to those available in the regular disciplinary process. Examples of potential sanctions include:

- The suspension of IIROC membership;
- A requirement to immediately cease dealing with the public; and
- A requirement to preserve books and records for a specified period of time.

Temporary Order Applications

Temporary order applications are another form of emergency proceeding, when Enforcement staff believe that the length of time required to convene a disciplinary hearing could be contrary to the public interest. A temporary order proceeding can be brought without prior notice to the Respondent. The order can either suspend the Respondent's registration with IIROC or impose terms and conditions on that registration. Temporary orders last for 15 days, after which time they can be extended by a hearing panel or by a securities commission.

GLOSSARY OF TERMS

Best Ask/Best Bid

The best ask is the lowest quoted price of a security that a seller is willing to offer. It is the most favourable ask price offered at a given time for a particular security. By contrast, the best bid is the highest price a buyer is willing to pay for a security at a given time.

Client Relationship Model

A series of rules and amendments to IIROC Rules to establish requirements for Dealer Members to provide greater transparency and disclosure to their retail clients of information relating the relationship between the firm and the client and disclosure of the fees, costs and performance of the clients' accounts.

COMSET (Complaints and Settlement Reporting System)

IIROC requires registered firms to report client complaints and disciplinary actions, including internal investigations, denial of registration and settlements; and civil, criminal or regulatory actions against the firm or its registered employees. This information is reported through IIROC's computerized Complaints and Settlement Reporting System.

CPH (The Conduct and Practices Handbook Course)

This is a course offered by the Canadian Securities Institute. Individuals seeking to become an investment advisor or investment representative with IIROC must pass this course in order to meet IIROC's proficiency requirements. The course covers the rules, policies and by-laws of the securities commissions and self-regulatory organizations, in addition to the standards of conduct and practices when dealing with client accounts, special transactions and products.

GLOSSARY OF TERMS

CSA (Canadian Securities Administrators)

The CSA is the council of 10 provincial and three territorial securities regulators in Canada. The mission of the CSA is to facilitate Canada's securities regulatory system by protecting investors from unfair fraudulent practices and by promoting fair, efficient and transparent markets through the development of harmonized securities regulations, policies and practices.

DEA Client (Direct Electronic Access Client)

A client that is permitted, by virtue of an arrangement with a Dealer Member, to electronically transmit orders to a marketplace using the firm's marketplace identifier.

KYC (Know Your Client)

This is a standard form in the investment industry that ensures investment advisors know detailed information about their clients' risk tolerance, investment knowledge and financial position. KYC forms protect both clients and investment advisors. Clients are protected by having their investment advisor know what investments best suit their personal situations. Investment advisors are protected by knowing what they can and cannot include in their client's portfolio.

Quote Manipulation

Potential manipulative activity intended to affect the price at which dark orders that are tied to prices on visible markets, trade in dark pools or visible markets. As set out in IIROC Notice 13-0053, Guidance on Certain Manipulative and Deceptive Trading Practices, entering non-bona fide orders on visible markets in an attempt to change the best bid price and/or the best ask price and affect the price calculation at which a trade will occur with a dark order, contravenes UMIR Rule 2.2 and UMIR Policy 2.2.

GLOSSARY OF TERMS

Reverse Split

A reverse split or reverse stock split is a corporate action whereby shares of a company are consolidated into fewer, more valuable shares, which results in a price increase of the security.

SRO (Self-Regulatory Organization)

SRO refers to an organization that sets standards, monitors members for compliance with those standards and takes appropriate action when those standards are not met.

Tier 1 and 2 Reviews

These reviews form part of a two-tier supervision system of post-trade activity reviews in client accounts. Tier 1 reviews are normally conducted by a supervisor at each business location of a Dealer Member. A first-tier review examines the previous day's trading to monitor for questionable or inappropriate activity, such as unsuitable trading, excessive or high-risk trading, conflict of interest, or manipulative or deceptive trading. Tier 2 reviews are normally conducted at the firm's head office or by region. They are generally not at the same depth as first level supervision but should be reasonably designed to identify serious account problems that may have been missed by the first level supervision. Usually, second tier reviews are conducted for accounts that meet certain threshold requirements such as minimum monthly commissions.

UMIR (Universal Market Integrity Rules)

Market Regulation Services introduced the Universal Market Integrity Rules as a common set of equity trading rules designed to ensure fairness and maintain investor confidence. The UMIR continues to be IIROC's market integrity rules.

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