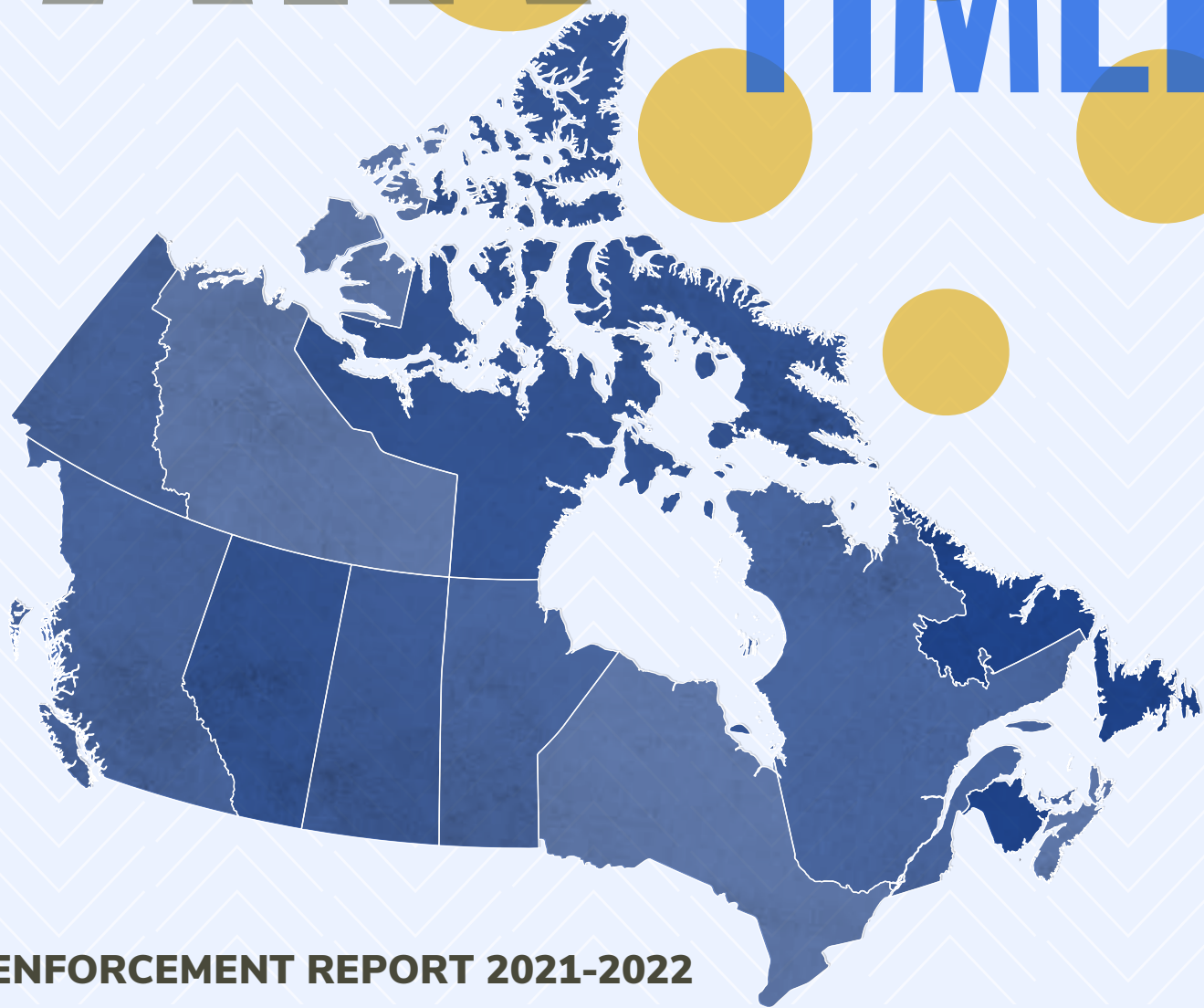


EFFECTIVE FAIR TIMELY



ENFORCEMENT REPORT 2021-2022

PUBLIC INTEREST REGULATOR

Protecting Investors and Supporting Healthy Canadian Capital Markets



IIROC
Investment Industry
Regulatory Organization
of Canada

OCRCVM
Organisme canadien de
réglementation du commerce
des valeurs mobilières

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 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)], as well as SROs including IIROC and the Mutual Fund Dealers Association of Canada (MFDA), whose activities are overseen by CSA members.

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 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.

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The Role of Enforcement

IIROC's Enforcement Department (Enforcement) is responsible for the enforcement of IIROC's Rules, that govern the activities of Dealer Members and their registered employees (referred to as Approved Persons), as well as the Universal Market Integrity Rules (UMIR) which govern trading activity on Canadian equity marketplaces.

Enforcement plays a key role in IIROC's pursuit to protect investors, strengthen market integrity, 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 CSA jurisdiction. In certain circumstances, we work collaboratively 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 strives to 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 and independent 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 share IIROC's Enforcement Report for fiscal year 2022 (April 1, 2021 to March 31, 2022). We continue to focus our efforts on identifying and pursuing matters that have the greatest impact on preventing and deterring misconduct and improving industry standards.

I want to thank Enforcement staff for their continuing dedication, perseverance, and adaptability. Enforcement's achievements are the result of their considerable efforts, skills, and expertise.

This report highlights those achievements and the steps that Enforcement took to protect investors, protect market integrity and support healthy capital markets across Canada. This past year, we investigated matters and pursued enforcement proceedings that addressed a wide range of conduct, always focused on advancing those cases that will contribute most significantly to protecting investors and strengthening market integrity.

We continued to make progress on our strategic initiative to strengthen enforcement through enhanced legal authority. In November 2021, Newfoundland and Labrador became the sixth province to give IIROC the full enforcement toolkit (the ability to enforce fine collection through the courts, the authority to collect and present evidence during investigations and at hearings, and protection from malicious lawsuits while acting in good faith to carry out our public interest mandate). This means that IIROC is now able to enforce fine collection through the courts in every province and territory in Canada.

Like many other organizations, the ongoing pandemic has required us to make changes in our day-to-day operations. However, there was little impact on our ability to be fair, effective and timely. In fact, we discovered newfound efficiencies that we intend to continue with where appropriate, such as virtual investigation interviews and hearings.

In a similar vein, IIROC's General Counsel's Office, who administers the IIROC hearing process, has implemented a digital case system that provides a secure platform for handling and presenting evidence. This platform has been adopted by courts and administrative tribunals in Canada and abroad and will also enable IIROC to conduct in-person electronic hearings, where documents are entered into evidence and displayed electronically. This initiative will assist Enforcement staff in litigating more complex and document intensive cases efficiently, whether in-person or virtually.

Message from Vice-President, Enforcement

In the upcoming year, we will continue to focus on shortening the time it takes to reach settlements or commence enforcement proceedings. Timeliness is a key component of effective deterrence and strengthening the public's confidence in self-regulation.

We also look forward to working with the CSA and MFDA to create a new and enhanced self-regulatory organization to better protect investors and support healthy Canadian capital markets, including an effective and robust enforcement department.

In closing, I would like to extend my thanks to our various stakeholders. We value our relationships and dialogue with the CSA 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 helping them meet their financial goals while protecting the integrity of Canada's capital markets.

Charles Corlett

Vice-President, Enforcement

“ We also look forward to working with the CSA and MFDA to create a new and enhanced self-regulatory organization to better protect investors. ”



Enforcement Year in Review

Enforcement's efforts in fiscal year 2022 resulted in enforcement proceedings covering a wide range of issues and misconduct.¹ The proceedings highlighted below illustrate our priorities, the regulatory misconduct we confront, and how we target our investigative and litigation resources.

Over \$4 million in fines, disgorgement and costs were imposed by hearing panels on IIROC-regulated persons (individuals and firms). Individuals were ordered to disgorge \$211,736.87, an increase from prior years, as Enforcement continued to focus on ensuring that those who engage in misconduct do not financially benefit.

We continue to see the direct results of being granted the authority to collect fines through the courts. While our collection efforts occur over several years, this new authority has allowed us to collect a greater percentage of the monetary sanctions imposed on individuals than we have historically without such authority.² The ability to collect monetary sanctions has impressed upon those who have broken or may potentially break rules that there will be significant consequences.

In April 2021, we announced that Enforcement would begin the use of Early Resolution Offers to promote the efficient resolution of enforcement proceedings. As we anticipated, the use of these offers has promoted the timely resolution of proceedings and saved regulatory resources. We reached early resolutions in four cases where there was proactive cooperation, remedial measures taken, and compensation made to clients.³

¹ See Appendix A for the list of enforcement proceedings for fiscal year 2022 and the sanctions imposed in each proceeding

² See table on page 21, which shows IIROC's collection rate over time

³ See Appendix A: *Re iA Private Wealth, Re Hanson, Re Scotia Capital, Re Friedberg*

Enforcement Year in Review

As part of Enforcement's ongoing emphasis on timeliness and the efficient use of regulatory resources, we agreed to mediate several cases to reach a resolution. The mediation program has proved to be an effective tool to reach timely and cost-effective settlements.

Although most cases are resolved by way of settlement agreement, where a negotiated resolution is not achievable, we will not hesitate and are always prepared to advance our allegations in contested hearings. We continued to be active in this regard, commencing nine disciplinary hearings and concluding nine others, and actively litigating five appeals before provincial securities commissions or courts. In seven cases commenced as disciplinary hearings, the respondent ultimately chose to settle before the hearing began.

Where IIROC detects any potential market-related violations by clients of IIROC-regulated firms, we refer such matters to the relevant CSA jurisdiction. Both Enforcement and IIROC's Trade Review & Analysis (TR&A) department work with CSA jurisdictions on matters of mutual interest. In FY22, TR&A referred 77 market-related cases to the CSA: Manipulation (27), Insider Trading (27) and other Securities Act Violations (23).

Protecting Seniors and Vulnerable Clients

Protecting seniors and vulnerable clients is a key priority for Enforcement. While most Approved Persons observe high standards of ethics and conduct, there are some who do not. Unfortunately, elderly or vulnerable investors are at higher risk of being exploited.

IIROC hearing panels imposed sanctions against:

- » **Alfred Drose**, after a disciplinary hearing where he did not appear, for failing to know his client and excessive trading. The hearing panel imposed a fine of \$137,171, which included disgorgement of \$112,171, a prohibition of approval for two years,⁴ and ordered costs of \$35,000. At the time the client opened an account with Drose, the Law Society of Ontario had more than a year earlier found that the client lacked capacity due to Alzheimer's. Drose met with the client for five minutes when the account was opened, did not adequately review the know-your-client forms, and then had no further contact with the client. He engaged in excessive trading in the account for 17 months. The trading was not profitable and resulted in losses to the client as well as excessive commissions to Drose. This conduct was inconsistent with the standards of conduct required by IIROC Rule 1400.
- » **Milan Plentai**, in a settlement, was fined \$45,000, ordered to disgorge \$6,170, pay \$10,000 in costs, and prohibited from being approved for two years. Plentai engaged in personal financial dealings by accepting payments from a client who had been diagnosed with Alzheimer's, acted in a non-securities related capacity for the client without disclosing it, and allowed his wife to be named as a beneficiary of the client's will. This conduct was a marked departure from the standards of conduct that apply to an IIROC-regulated person.

⁴ A prohibition of approval is imposed where the individual is a former Approved Person and is equivalent to a suspension of approval of an active Approved Person.

Protecting Seniors and Vulnerable Clients

IIROC hearing panels imposed sanctions against:

- » **James Robert Harris**, in a settlement, was fined \$25,000, ordered to disgorge \$15,000, prohibited from being approved for 30 days, and ordered to pay costs of \$2,500. Harris failed to know his client, a retired widow with limited investment knowledge, who relied on withdrawals from her investment accounts for part of her monthly living expenses. The client's stated investment objectives in her accounts were inconsistent with her true financial situation, investment knowledge, investment objectives and risk tolerance. Harris pursued an aggressive investment strategy in the client's accounts that was unsuitable for her, involving an excessive level of risk for a vulnerable client relying on her investments for income. Over the course of almost five years, the client suffered losses of approximately \$116,000 which represented a 23% net loss of her initial investment.



Know Your Client and Suitability

IIROC rules require that an Approved Person know detailed information about their client's risk tolerance, investment knowledge and financial position. The Approved Person is required to determine whether an investment is suitable for a client, which requires that the Approved Person understands the investment product and knows the client.

IIROC hearing panels imposed sanctions against:

- » **Yonathan Shields**, after a lengthy disciplinary hearing, for failing to know nine of his clients and failing to ensure that investment recommendations were suitable for the clients. Shields accepted several client referrals from another Approved Person, who informed Shields that they were sophisticated and wished to execute a trading strategy involving the sale of naked options on commodities futures. Shields assumed the clients understood the risks and failed to make appropriate inquiries of the clients or inform them of the scope of the risk involved in the strategy. He failed to ensure that an options on futures trading strategy that was recommended for the clients was suitable, as many of them had no experience trading options on futures. In February 2018, due to market volatility, the clients experienced significant losses from the options on futures trading. The hearing panel imposed a \$40,000 fine, ordered \$64,054.80 in disgorgement, a prohibition of approval for one year, and \$35,000 in costs.
- » **Edward Ho Rha**, after a disciplinary hearing, for engaging in a pattern of excessive and unsuitable trading for two sets of clients which generated significant commissions. He also borrowed \$95,000 from another client which he never repaid. Rha was fined \$150,000, suspended for a year, and ordered to pay costs of \$15,000.

Enforcing High Standards of Conduct and Ethics

IIROC Rule 1400 addresses business conduct that demonstrates an unreasonable departure from the high standards and ethics expected of Approved Persons or that is detrimental to the public interest. The rule is enforced against a wide range of business conduct, including misappropriation and forgery. The two proceedings highlighted here represent conduct that over the past few years has been rare. Prior to this year, there had not been a finding of misappropriation since FY18 and only three cases of forgery in the past three years.

IIROC hearing panels imposed sanctions against:

- » **Joan McCarthy**, after a disciplinary hearing where she failed to appear, for falsifying signatures and appropriating funds from her clients' accounts. McCarthy failed to cooperate with the IIROC investigation. The panel imposed a fine of \$950,000, a permanent bar to approval, and costs of \$50,000. Between 2006 and 2019, McCarthy misappropriated approximately \$775,000 from the accounts of six elderly clients by forging their signatures on over 160 cheques.
- » **Mohammad Movassaghi**, after a disciplinary hearing where he failed to appear, for falsifying client signatures on client account documentation and for misleading Enforcement Staff in sworn interviews. The panel imposed a fine of \$100,000, a permanent bar to approval, and ordered costs of \$60,000.

Strengthening Market Integrity

Enforcement's efforts to strengthen market integrity focus on enforcing the Universal Market Integrity Rules (UMIR), the rules governing trading on IIROC-regulated marketplaces, and ensuring that IIROC-regulated persons perform their role as gatekeepers to the capital markets, monitoring and identifying improper, manipulative, or disorderly trading. Dealer Members and Approved Persons occupy a privileged role in the securities regulatory framework and act as intermediaries providing access to the markets. Effectively discharging the gatekeeper obligation helps protect market integrity and the reputation of the capital markets.

Settlements were approved by IIROC hearing panels in relation to the following market integrity issues:

- » **Larry Martin** was fined \$82,000, which included disgorgement of the approximately \$32,000 in commissions earned and ordered to pay costs of \$20,000. Martin, an Approved Person at Leede Jones Gable Inc., facilitated trading in investment accounts that generated red flags suggesting that the activity was suspicious. The red flags included the deposit of large amounts of shares that were sold shortly thereafter, unprofitable trading, the transfer out of all or most of the proceeds of the sales, and significantly higher assets in the accounts than disclosed on client account forms. Martin had an obligation to question the activity as suspicious and to obtain reasonable explanations to satisfy himself that the activity was legitimate.
- » **CIBC World Markets** failed to comply with its trading supervision obligations to detect and prevent the entry of orders by a direct electronic access (DEA) client that interfered with fair and orderly markets, contrary to UMIR 7.1 and 7.13. Enforcement identified that the DEA client was responsible for numerous amendments and cancellations to orders entered in the pre-open session of an IIROC-regulated marketplace resulting in a significant number of changes to the Calculated Opening Price of numerous securities. CIBC had a supervisory obligation to examine each order entered on a marketplace by way of DEA and where circumstances warranted was required to make appropriate inquiries of clients to ensure the orders did not interfere with a fair and orderly market and were otherwise in compliance with UMIR requirements. CIBC was fined \$150,000 and implemented remedial measures to ensure it would meet its regulatory obligations in the future.

Improving Industry Standards

Enforcement assesses in each investigation whether a Dealer Member has fulfilled its supervision obligations and met the stringent supervision requirements of the IIROC Rules. When advancing proceedings against firms, Enforcement's focus is not merely on sending a deterrence message to prevent a repetition of the failure by that particular firm, but on ensuring that the firm has implemented adequate remedial measures to prevent against reoccurrence. Remedial measures that are tailored to the specific compliance and supervision failings are an important element in improving overall business standards and practices.

IIROC hearing panels imposed sanctions against:

- » **iA Private Wealth**, in a settlement, for failing to establish and maintain a system to supervise the activities of its employees reasonably designed to achieve compliance with IIROC supervision requirements. The activity included unsuitable investment recommendations to clients, high concentration and trading volumes in small issuers, and the improper use of margin in client accounts. The firm became aware of these issues following multiple client complaints, immediately reported the conduct to IIROC, and conducted an internal investigation. The firm implemented extensive remedial measures, settled many of the client complaints by paying compensation totalling over \$5,000,000, and implemented new policies and procedures. This matter was resolved by way of Early Resolution Offer based on the firm's proactive cooperation, the remedial measures taken, and the compensation paid by the firm. The firm paid a fine of \$350,000 and costs of \$25,000.
- » **Canaccord Genuity Corp.**, in a settlement, for failing to establish a system of internal controls and supervision reasonably designed to achieve compliance with IIROC requirements, including to deal fairly with clients with regards to fees. Canaccord permitted in certain circumstances for trailer or embedded fees to be paid to itself for client account holdings in accounts that were fee-based. The amount of embedded fees incurred in fee-based accounts from January 2010 until Canaccord changed its policy in November 2019 was \$1,406,261.50 which affected over 6,000 clients. The firm reimbursed current and former clients who held fee-based accounts during the period for any fees associated with products paying a trailer or embedded fee. The firm paid a fine of \$157,000 and costs of \$50,000.

Improving Industry Standards

- » **Scotia Capital Inc.**, in a settlement, for failing to establish and maintain a system of controls and supervision to ensure client fee agreements were accurately recorded in its fee management systems and clients were charged appropriately. The firm discovered instances where fees charged to clients in fee-based accounts differed from the fees documented in the clients' signed fee agreements, which resulted in some client accounts being overcharged, some being undercharged, and some having no impact. The firm initiated a review of fee agreements dating back to 2010 and implemented a remediation plan, including repaying clients who were overcharged because of the failure of internal controls. The firm committed to repaying \$32,348,719.64 in respect of 38,979 client accounts. This matter was resolved by way of Early Resolution Offer based on the proactive and exceptional cooperation, compensation paid, and corrective actions taken by the firm. Scotia paid a fine of \$140,000 and costs of \$5,000.
- » **Friedberg Mercantile Group Ltd.**, in a settlement, for failing to implement an adequate supervisory framework when onboarding accounts of clients from an online trading platform for trading Contracts for Difference based on commodities, foreign exchange, crypto currencies, and other assets. The firm's deficiencies related to the account opening approval, incomplete or inaccurate books and records, and inadequate oversight of the activity relating to the client accounts. This matter was resolved by way of Early Resolution Offer based on the firm's implementation of remedial measures and proactive and timely cooperation. The firm paid a fine of \$223,000 and costs of \$25,000.

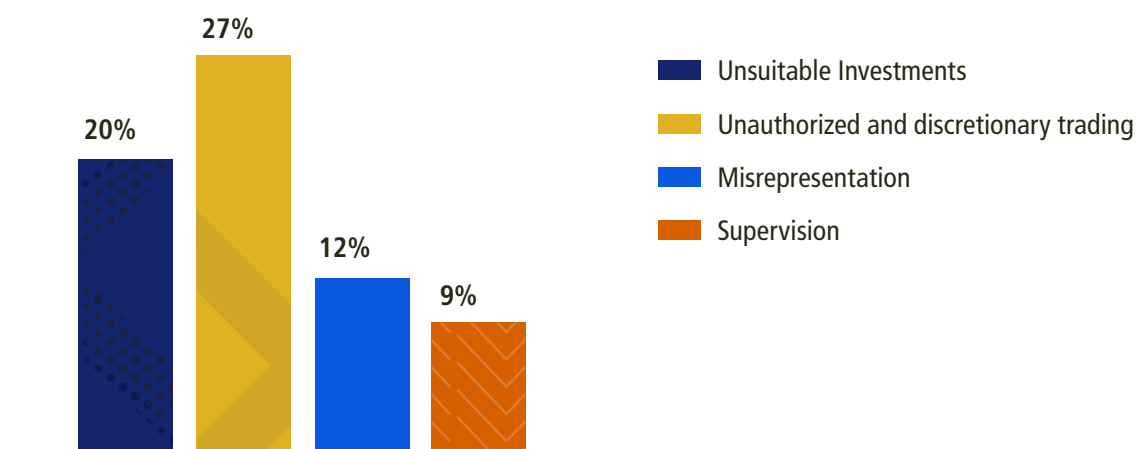
Enforcement Statistics

Complaints

SOURCES OF COMPLAINTS RECEIVED BY IIROC ENFORCEMENT

SOURCE	FY22	FY21	FY20	FY19	FY18
Public	114	238	194	164	185
ComSet	885	1,110	1,036	881	906
Internal (from other IIROC departments)	26	24	22	36	41
Other SROs and Commissions	20	15	19	20	16
Other (media, Dealer Members and whistleblowers)	8	9	12	8	5
TOTAL	1,053	1,396	1,283	1,109	1,153

TOP COMPLAINTS REVIEWED BY CASE ASSESSMENT

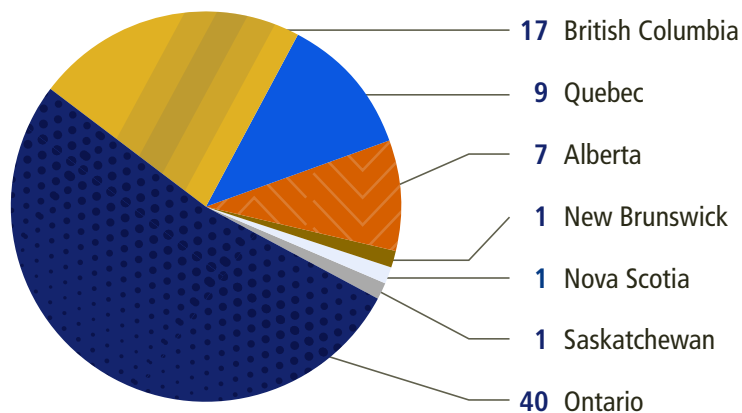


Investigations

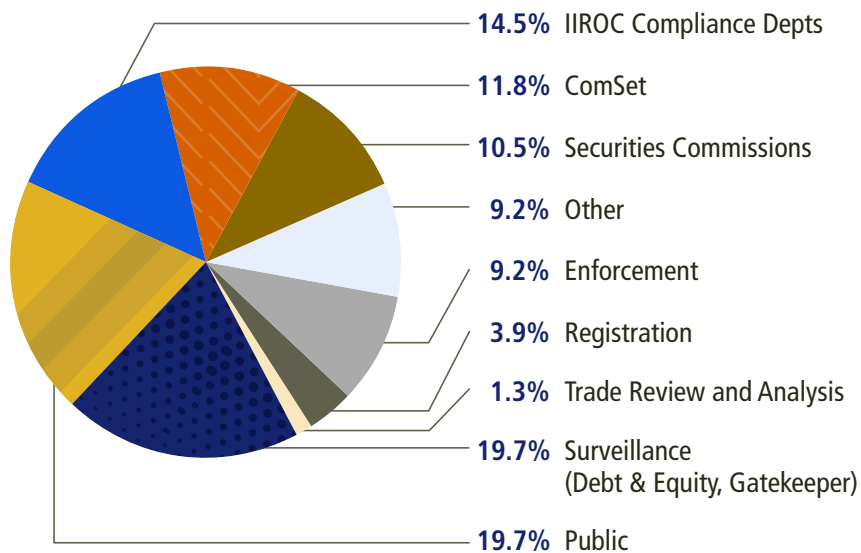
INVESTIGATIONS COMPLETED					
	FY22	FY21	FY20	FY19	FY18
Number of Investigations completed	76	113	112	127	123
Percentage of files referred to Prosecutions	41%	25%	35%	38%	46%

INVESTIGATIONS COMPLETED – BY PROVINCE

Total 76

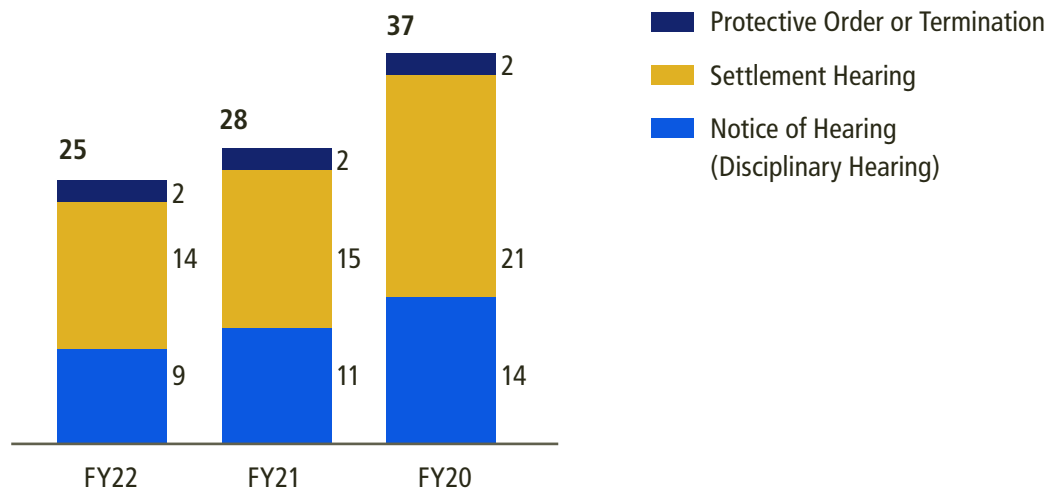


INVESTIGATIONS COMPLETED – BY SOURCE (% BREAKDOWN)

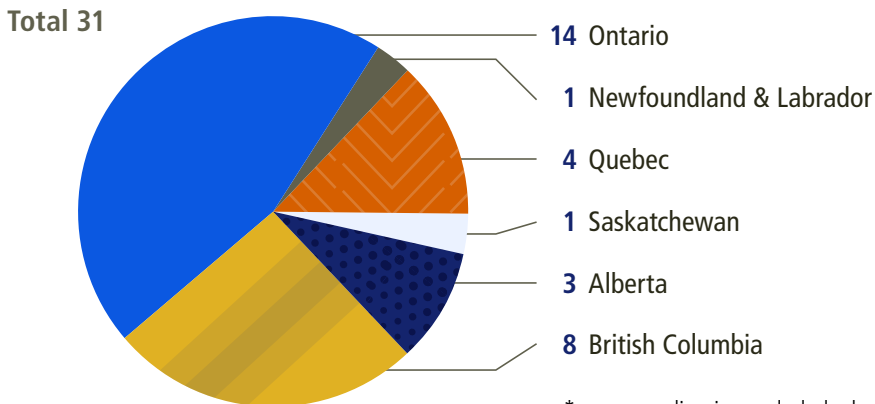


Enforcement Proceedings

COMMENCED BY TYPE



CONCLUDED PROCEEDINGS BY PROVINCE*

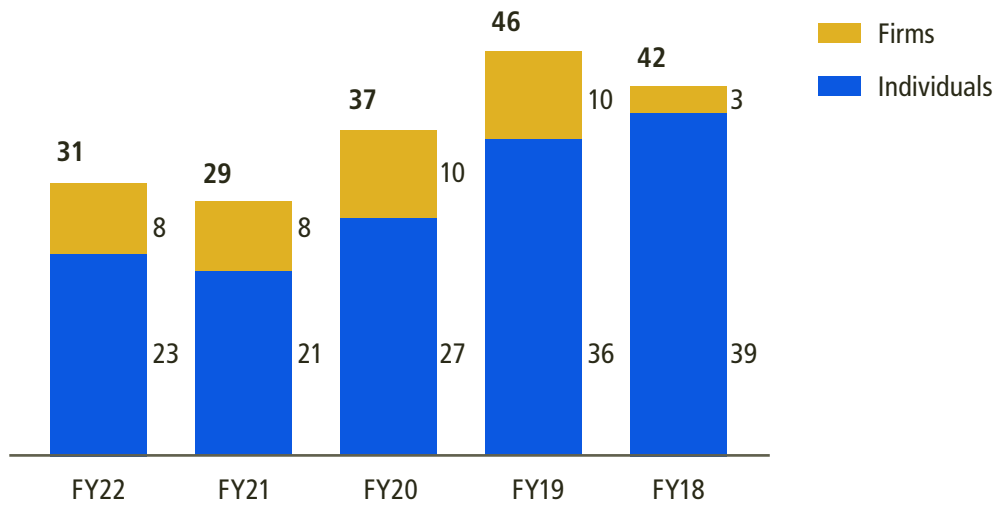


* a proceeding is concluded when an IROC hearing panel, securities commission or court has made a final decision that includes the imposition of sanctions. Decisions under review by a securities commission or court are not included.

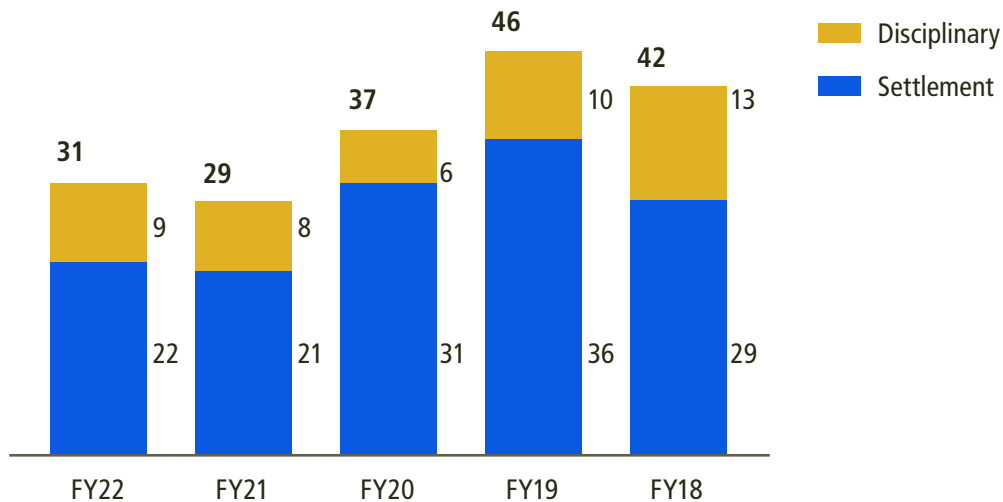
Enforcement Statistics

Enforcement Proceedings (Continued)

CONCLUDED PROCEEDINGS BY RESPONDENT TYPE



CONCLUDED PROCEEDINGS BY HEARING TYPE



Enforcement Statistics

Enforcement Proceedings (Continued)

CONCLUDED PROCEEDINGS BY REGULATORY VIOLATION					
INDIVIDUALS	FY22	FY21	FY20	FY19	FY18
Complaint handling	1	1	1	0	0
Discretionary trading	4	5	3	5	5
Fail to cooperate	5	0	1	3	2
Forgery	2	0	1	0	2
Gatekeeper	1	2	2	0	0
Inappropriate personal financial dealings	5	3	2	10	6
Inadequate books and records	0	0	0	1	1
Misappropriation	1	0	0	0	1
Misrepresentation	1	1	2	1	0
Manipulative & deceptive trading	1	1	1	2	1
Off-book transactions	2	0	0	1	4
Outside business activities	4	2	0	3	1
Suitability/Due diligence/Handling of client accounts	10	8	11	14	20
Supervision	0	2	2	3	4
Trading conflict of interest	1	0	0	0	4
Trading without appropriate registration	0	0	1	1	0
Unauthorized trading	0	1	3	3	3
Undisclosed conflict of interest	2	0	0	2	3
Other	2	2	5	3	0

Enforcement Statistics

Enforcement Proceedings (Continued)

CONCLUDED PROCEEDINGS BY REGULATORY VIOLATION					
FIRMS	FY22	FY21	FY20	FY19	FY18
Capital deficiency	1	0	1	0	0
Failure to handle client accounts	1	0	1	0	0
Inadequate books and records	1	0	1	1	0
Internal controls	4	1	1	2	0
Protective order/Termination	1	2	1	2	0
Supervision	5	5	2	7	3
Other	0	0	4	1	0

Enforcement Statistics

Enforcement Proceedings (Continued)

SANCTIONS IMPOSED					
FIRMS	FY22	FY21	FY20	FY19	FY18
Decisions	8	8	10	10	3
Fines	\$1,370,500.00	\$1,110,000	\$5,875,000	\$860,000	\$420,000
Costs	\$170,000.00	\$105,000	\$93,497	\$55,500	\$41,500
Disgorgement	–	–	\$16,242	–	\$100,000
TOTAL	\$1,540,500.00	\$1,215,000	\$5,984,739	\$915,500	\$561,500
Suspension	1	1	1	0	0
Termination	1	2	1	2	0

SANCTIONS IMPOSED					
INDIVIDUALS	FY22	FY21	FY20	FY19	FY18
Decisions	23	21	27	36	39
Fines	\$2,119,770.65	\$766,500	\$937,500	\$2,207,500	\$2,870,000
Costs	\$499,022.14	\$121,500	\$127,000	\$359,000	\$392,129
Disgorgement	\$211,736.87	\$88,851	\$31,423	\$237,360	\$685,035
TOTAL	\$2,830,529.66	\$976,851	\$1,095,923	\$2,803,860	\$3,947,164
Suspension	12	13	13	17	18
Permanent bar	4	2	3	3	6
Conditions	9	12	19	23	20

Enforcement Statistics

Enforcement Proceedings (Continued)

FINE COLLECTION RATES (INDIVIDUALS AND FIRMS)				
	FY22	FY21	FY20	FY19
Individuals	18%	60%	79%	41%
Firms	100%	100%	100%	100%

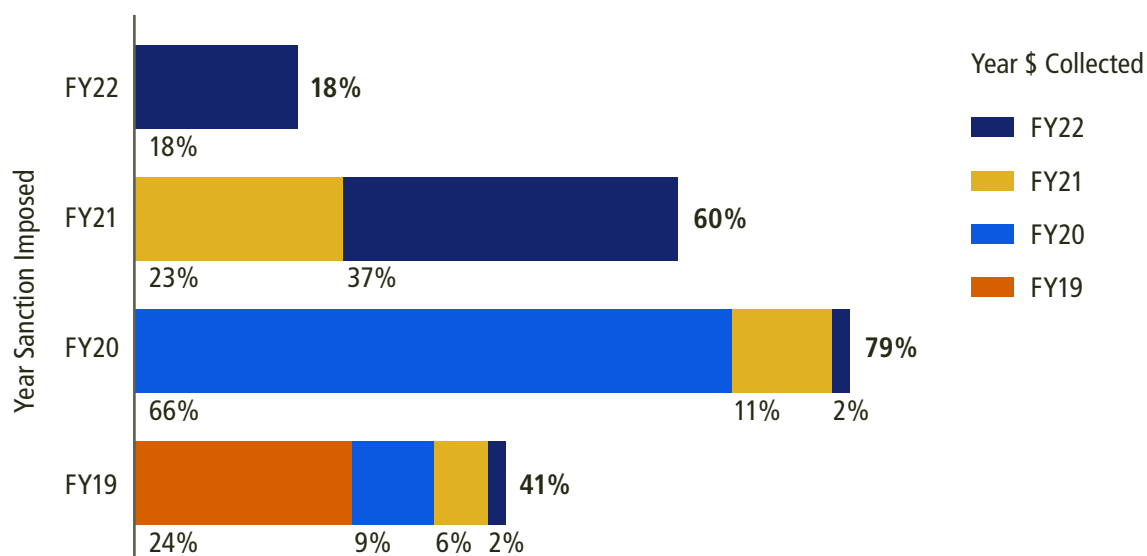
The table above sets out the percentages collected, to date, of monetary sanctions imposed in a given year. The sanctions do not include those imposed during the year for cases that have been appealed or are still within the time period to appeal.

IIROC typically collects 100% of the amounts imposed on firms. There are circumstances where firms may not pay, such as insolvency issues or a suspension imposed by IIROC. Firms that do not pay are no longer members of IIROC in good standing.

Enforcement Statistics

Enforcement Proceedings (Continued)

FINE COLLECTION RATE FOR INDIVIDUALS – BY YEAR



The chart above shows the annual collection rates for the monetary sanctions imposed in each of the last three fiscal years. The rate does not include monetary sanctions imposed for cases that are under appeal. The collection rates may increase over time as IIROC continues to collect monetary sanctions after the year in which the sanctions were imposed.

Enforcement Statistics

Enforcement Proceedings (Continued)

APPEALS

A respondent or Enforcement staff may seek a hearing and review or appeal of an IIROC hearing panel's decision to the relevant securities commission or applicable reviewing body. After a hearing and review or appeal, a further appeal may be brought to a court in the applicable jurisdiction.

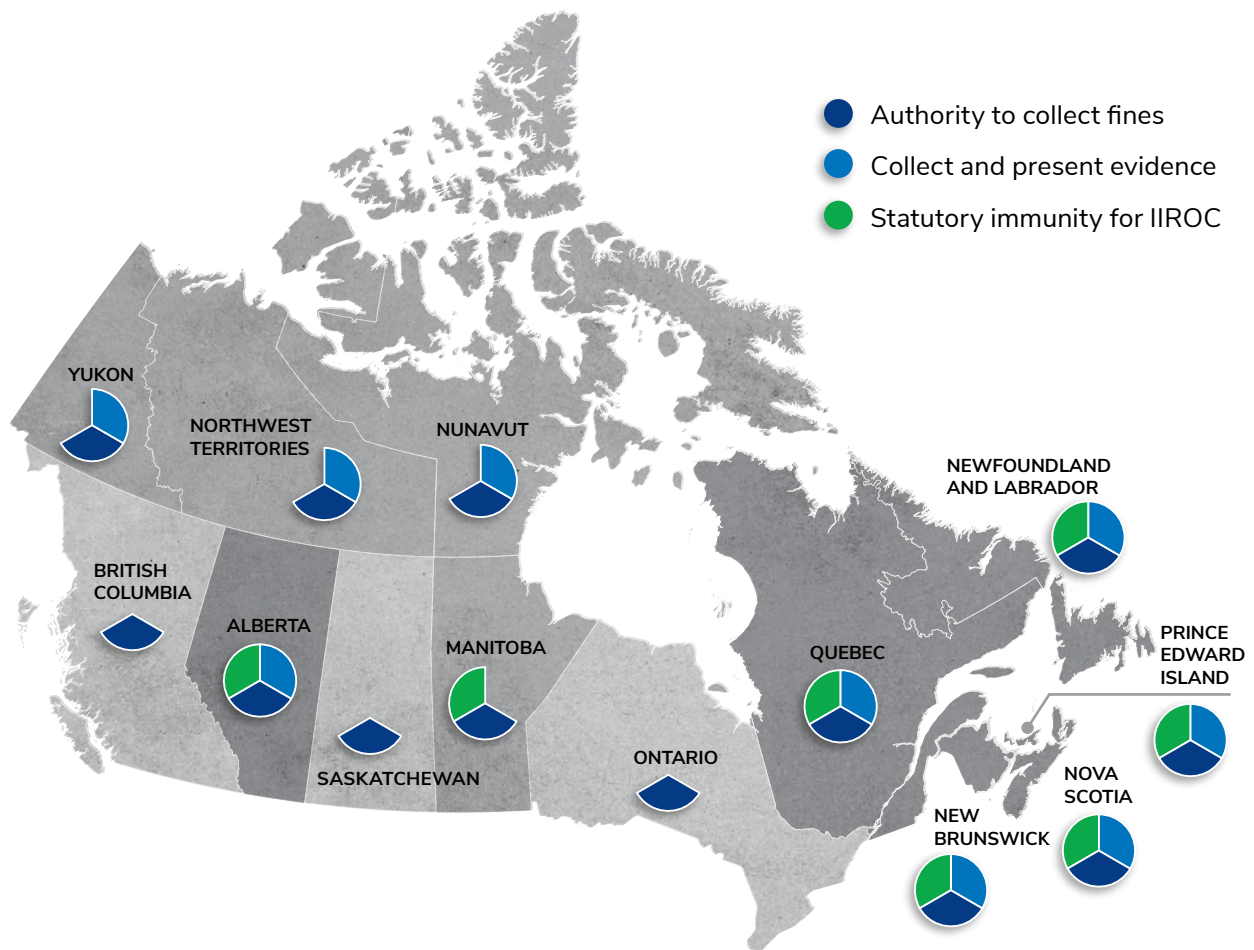
The following hearing and reviews and appeals were commenced, ongoing, or concluded during FY22:

- » **Joseph Debus (Ontario)** – the hearing and review commenced by the respondent on April 16, 2019 was dismissed by the Ontario Securities Commission in a decision released August 31, 2021; the respondent commenced an appeal to Ontario Divisional Court in September 29, 2021, which is pending.
- » **Shirley Locke (Nova Scotia)** – the hearing and review commenced by the respondent on June 26, 2020, was dismissed in part by the Nova Scotia Securities Commission in a decision released June 24, 2021; an appeal to the Nova Scotia Court of Appeal was commenced by the respondent on August 5, 2021 and dismissed in a decision dated April 12, 2022.
- » **Douglas John Eley (Ontario)** – the hearing and review commenced by the respondent on October 7, 2020, was dismissed by the Ontario Securities Commission in a decision released on March 5, 2021; an appeal to Ontario Divisional Court was commenced by the respondent on August 24, 2021, which is pending.
- » **Alvin Rupert Jones (Ontario)** – the respondent commenced a hearing and review on February 2, 2021, which is pending.
- » **Dwight Cameron Mann (British Columbia)** – on December 14, 2020, IIROC Staff commenced a hearing and review to the British Columbia Securities Commission. In its decision, released November 3, 2021, the Commission dismissed the hearing and review and confirmed the sanction imposed by the IIROC hearing panel.

IIROC's Legal Authority Map

Since 2017, every province and territory has taken action to enhance IIROC's enforcement powers. IIROC now has fine collection authority across the country.

The table on the following page outlines the details of the legal authority map depicted below.



View the interactive enforcement map [on our website](#).

IIROC's Legal Authority Map

IIROC'S CURRENT LEGAL AUTHORITY ACROSS CANADA

Province / Territory	Date / Legal Authority
Yukon	November 2018: collect fines and collect/present evidence
Northwest Territories	November 2018: collect fines and collect/present evidence
Nunavut	November 2018: collect fines and collect/present evidence
British Columbia	May 2018: collect fines
Alberta	June 2000: collect fines June 2017: collect/present evidence and statutory immunity
Saskatchewan	May 2019: collect fines
Manitoba	June 2018: collect fines and statutory immunity
Ontario	May 2017: collect fines
Quebec	June 2013: collect fines June 2018: collect/present evidence and statutory immunity
New Brunswick	December 2019: collect fines, collect/present evidence and statutory immunity
Nova Scotia	October 2018: collect fines, collect/present evidence and statutory immunity
Prince Edward Island	January 2017: collect fines December 2018: collect/present evidence and statutory immunity
Newfoundland and Labrador	November 2021: collect fines, collect/present evidence and statutory immunity

Appendix A:

Enforcement Proceedings

Click on the name under Case Name to review relevant documents online.

INDIVIDUALS				
Case Name (Province)	Type of Proceeding	Commenced	Contraventions	Sanctions Imposed
Bonnie Wyatt Ontario	Settlement	April 22, 2021	Standards of conduct Failure to know client	\$20,000 fine \$5,000 costs 3 months close supervision Terms and conditions ⁵
James Robert Harris Saskatchewan	Settlement	May 4, 2021	Failure to know client Suitability	\$25,000 fine \$15,000 disgorgement \$2,500 costs 30 day suspension
Gordon Albert Malic Alberta	Settlement	May 11, 2020	Outside business activity Conflict of interest	\$75,000 fine \$5,000 costs 6 month suspension Terms and conditions
Edward Ho Rha Alberta	Discipline	March 5, 2021	Failure to know client Suitability Excessive trading Personal financial dealings	\$150,000 fine \$15,000 costs 1 year suspension Terms and conditions
Roberta Benson Ontario	Settlement	June 21, 2021	Failure to know client	\$30,000 fine \$10,000 costs 5 year suspension

⁵ A hearing panel may impose terms and conditions on an individual or firm; common terms and conditions include rewriting the Conduct and Practices Handbook Course (CPH) and a period of close or strict supervision.

Appendix A: Enforcement Proceedings

INDIVIDUALS				
Case Name (Province)	Type of Proceeding	Commenced	Contraventions	Sanctions Imposed
Kamal Lidder British Columbia	Settlement	July 9, 2021	Discretionary trading	\$15,000 fine \$2,000 costs
Joseph Anthony Thomson Ontario	Settlement	June 16, 2020	Failure to know client Suitability Conflict of interest	\$100,000 costs 1 year suspension 5 year supervisory suspension
Scott Andrew Hanson Ontario	Settlement	August 27, 2021	Discretionary trading Outside business activity	\$10,000 fine \$1,111.72 disgorgement \$10,000 costs 3 month suspension
Sylvain Trudel Quebec	Settlement	July 12, 2021	Discretionary trading	\$10,000 fine \$1,000 costs
Alfred Drose Ontario	Discipline	August 20, 2020	Failure to know client Suitability	\$25,000 fine \$35,000 costs \$112,171 disgorgement 2 year suspension Terms and conditions
Michael Kevin Small Quebec	Settlement	August 19, 2021	Personal financial dealings	\$20,000 fine \$2,500 costs Terms and conditions
Thomas Stock British Columbia	Settlement	March 1, 2021	Failure to know client Suitability Failure to cooperate	\$10,000 fine \$5,000 costs Permanent bar

Appendix A: Enforcement Proceedings

INDIVIDUALS				
Case Name (Province)	Type of Proceeding	Commenced	Contraventions	Sanctions Imposed
Alberto Storelli British Columbia	Discipline	January 6, 2020	Personal financial dealings Failure to cooperate Misleading IIROC Staff	\$50,000 fine \$10,000 costs 4 year suspension
Dwight Cameron Mann British Columbia	Discipline ⁶	March 26, 2019	Standards of conduct Failure to report client complaint	\$250,000 fine \$50,000 costs Terms and conditions
Larry Martin British Columbia	Settlement	November 4, 2021	Standards of conduct	\$82,000 fine \$20,000 costs
Shayne Ian Frederick Nyquvest British Columbia	Settlement	November 29, 2021	Personal financial dealings Off book transactions Outside business activity	\$34,000 fine \$5,000 costs 6 month suspension Terms and conditions
Yonathan Chanoch Shields Ontario	Discipline	August 14, 2019	Failure to know client Suitability	\$40,000 fine \$35,000 costs \$64,054.80 disgorgement 10 month suspension Terms and conditions
Joan Marie McCarthy Newfoundland	Discipline	April 21, 2021	Forgery and misappropriation Failure to cooperate	\$1,000,000 fine \$103,522.14 costs Permanent bar

⁶ Proceeding concluded with a hearing and review or appeal

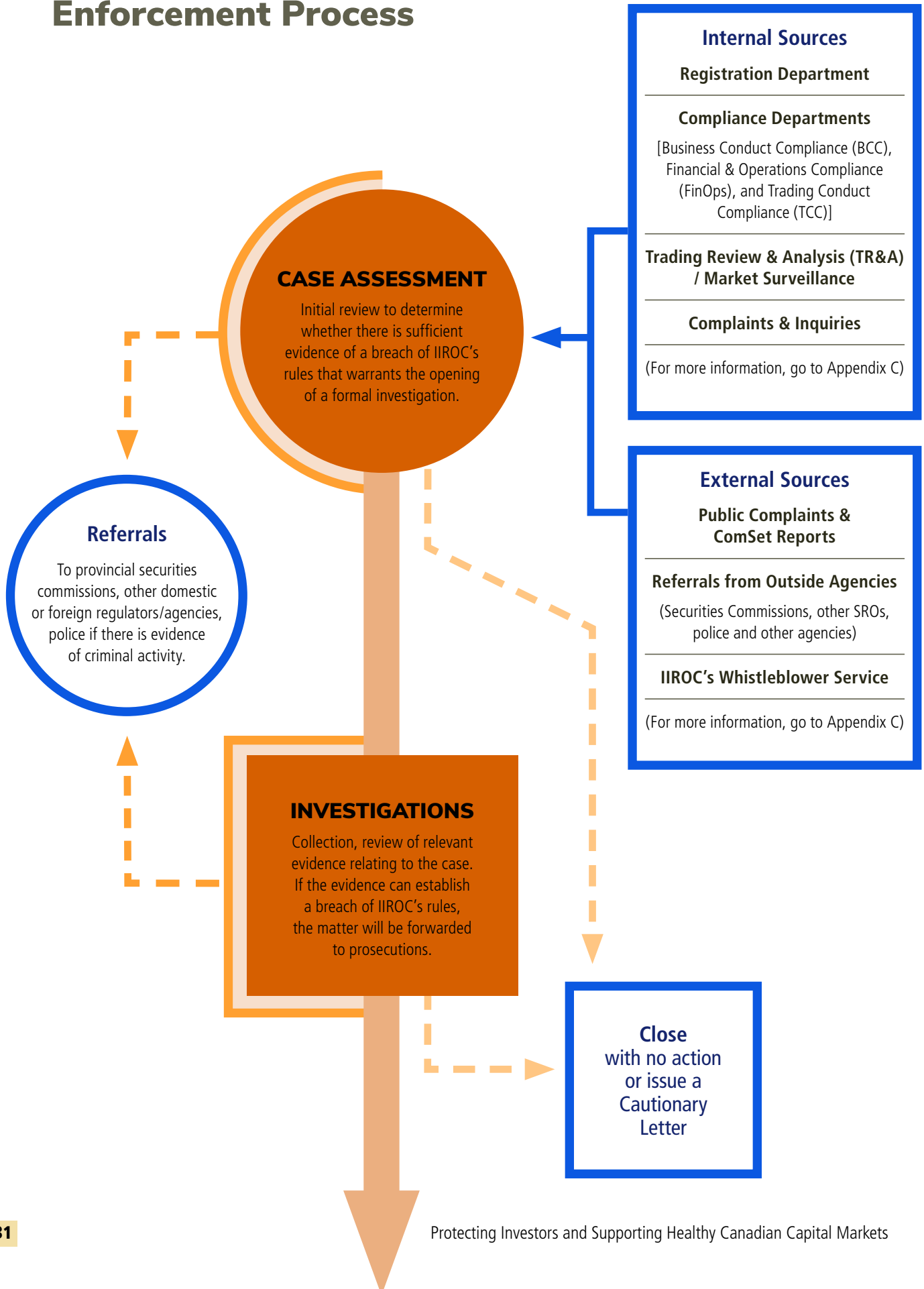
Appendix A: Enforcement Proceedings

INDIVIDUALS				
Case Name (Province)	Type of Proceeding	Commenced	Contraventions	Sanctions Imposed
Milan Plentai Ontario	Settlement	April 27, 2021	Standards of conduct Personal financial dealings	\$45,000 fine \$10,000 costs \$6,170 disgorgement 2 year suspension Terms and conditions
Mohammad Movassaghi British Columbia	Discipline	April 28, 2020	Forgery Failure to cooperate	\$100,000 fine \$60,000 costs Permanent bar
Charles-Philippe Matte Quebec	Settlement	February 7, 2022	Discretionary trading	\$10,000 fine \$2,500 costs
Howard Tsao Ontario	Settlement	September 15, 2021	Outside business activity Failure to cooperate	\$30,000 fine, including disgorgement of \$13,229.35 \$5,000 costs Permanent bar
Jeffrey Brian Ber Alberta	Settlement	September 2, 2021	Standards of conduct	\$70,000 fine \$5,000 costs 3 year suspension

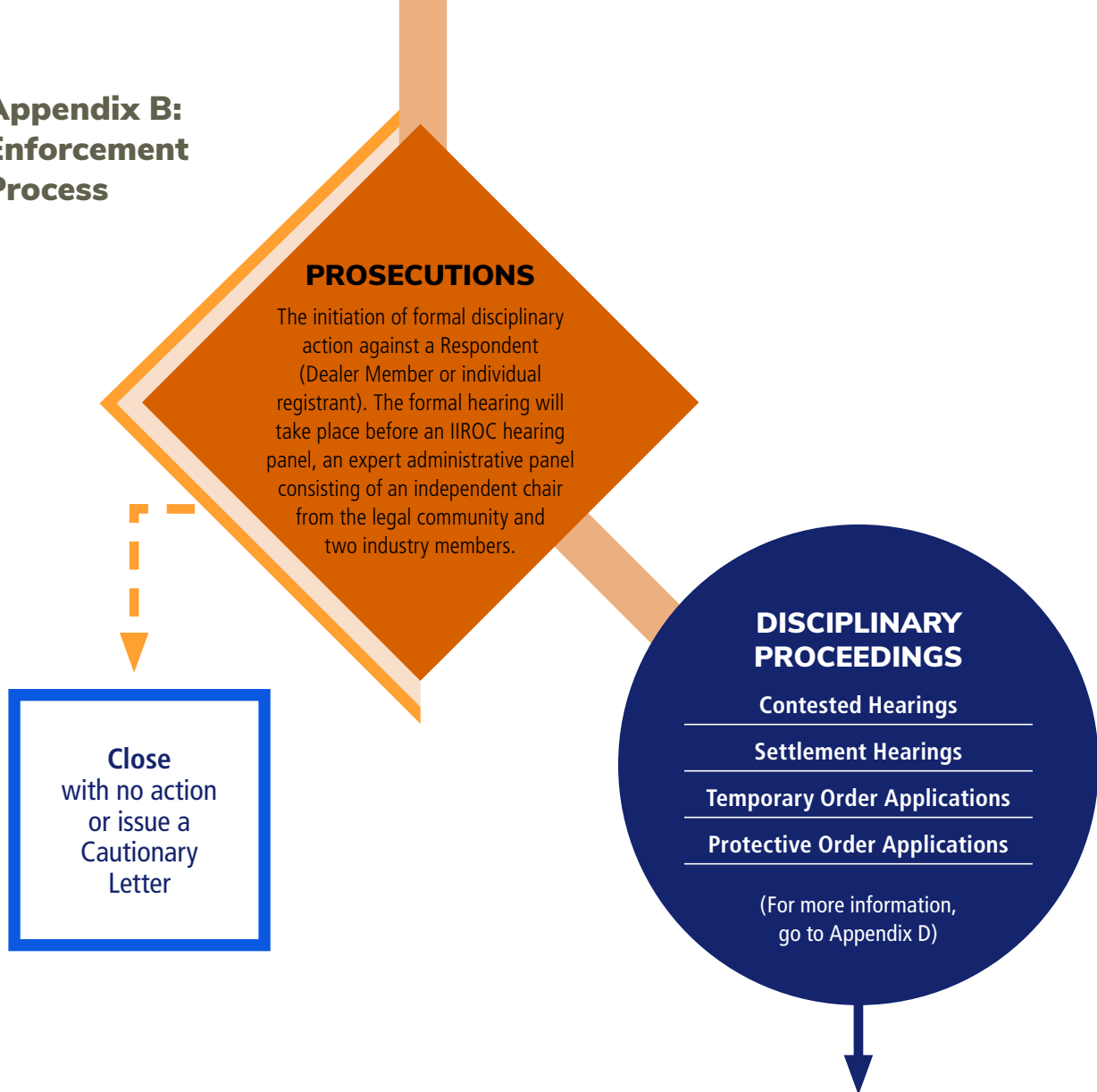
Appendix A: Enforcement Proceedings

FIRMS				
Case Name (Province)	Type of Proceeding	Commenced	Contraventions	Sanctions Imposed
RBC DS Ontario	Settlement	June 21, 2021	Supervision	\$350,000 fine \$50,000 costs
iA Private Wealth Inc. Quebec	Settlement	July 20, 2021	Internal controls	\$350,000 fine \$25,000 costs
PACE Securities Corp. Ontario	Termination	November 30, 2021	Firm winding down	Termination
Canaccord Genuity Corp. British Columbia	Settlement	December 2, 2021	Internal controls Supervision	\$157,500 fine \$50,000 costs
Scotia Capital Inc. Ontario	Settlement	December 10, 2021	Internal controls Supervision	\$140,000 fine \$5,000 costs Terms and conditions
Regent Capital Partners Inc. Ontario	Protective Order	January 12, 2022	Capital deficiency	Suspension
CIBC World Markets Inc. Ontario	Settlement	March 15, 2022	Trading supervision obligations	\$150,000 fine \$15,000 costs
Friedberg Mercantile Group Ltd. Ontario	Settlement	March 21, 2022	Inadequate books and records Internal controls Supervision	\$223,000 fine \$25,000 costs

Appendix B: Enforcement Process



Appendix B: 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 IIROC. 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 21.

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

PENALTIES

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

FIRMS

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

Imposition of conditions on membership

A period of suspension

Expulsion

INDIVIDUALS

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

Imposition of conditions on registration

A period of suspension

A permanent ban

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 information and enforcement referrals.

Complaints & Inquiries Team (C&I)

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@iirc.ca) or by filing an online complaint form at (www.iirc.ca).

Appendix C: Enforcement Information Sources

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 the most significant source 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 commence an enforcement proceeding against a Dealer Member or individual for a contravention of IIROC rules (the Dealer Member or individual is referred to as the respondent in an enforcement proceeding).

Disciplinary Hearing

Where the respondent does not admit to the alleged contravention of IIROC rules or elects to dispute the appropriate sanction to be imposed, a disciplinary hearing will be held. Enforcement Staff must prove the allegations set out in a Notice of Hearing, which is the document that initiates the disciplinary proceeding. A disciplinary hearing involves Staff presenting documentary evidence and oral evidence to prove its case. The respondent has the right to challenge Staff's case by cross-examining witnesses and presenting evidence.

The hearing panel, which is comprised of a former judge or a lawyer as Chair, and two industry members, decides whether IIROC has proven its case against the Respondent and if so, determines the appropriate sanction to impose.

If a respondent fails to attend a hearing, 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 a settlement hearing, Enforcement Staff and the respondent agree, in writing, on the rule(s) contravened by the respondent, the underlying facts and the sanctions to be imposed. The parties must present the agreement to a hearing panel and explain why the panel should accept it. The panel has the discretion to either accept or reject the settlement agreement.

Appendix D: Types of Disciplinary Proceedings

Protective Order

The purpose of a Protective order 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 hearing to seek a Protective order, 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

A Temporary order is an urgent proceeding that may be brought by Enforcement Staff when the length of time required to conclude an enforcement proceeding could be prejudicial to the public interest. A Temporary order proceeding can be brought without prior notice to the Respondent. The hearing panel can impose an order suspend or restricting the Respondent's rights and privileges and imposing terms and conditions on those rights and privileges. 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

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.

COP (Calculated Opening Price)

Indicates the price at which a security will begin trading at the opening of a market. The COP is calculated based upon the orders to buy and sell a security that have been entered and is generally determined by the price at which the most shares will trade at the opening of the market.

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 SROs, in addition to the standards of conduct and practices when dealing with client accounts, special transactions and products.

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.

Glossary of Terms

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.

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.

UMIR (Universal Market Integrity Rules)

The rules setting out the requirements applicable to IIROC Dealer Members, Access Persons and Marketplaces for securities related trading activities on IIROC-Regulated marketplaces. UMIR, together with the IIROC Rules that govern the activities of investment firms, comprise IIROC's regulatory framework.

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