Notice of Hearing

File No. 202412

IN THE MATTER OF

THE MUTUAL FUND DEALER RULES[i]

and

Henry Griffioen

NOTICE OF HEARING

NOTICE is hereby given that a disciplinary proceeding has been commenced by the Canadian Investment Regulatory Organization ("CIRO") against Henry Griffioen (the "Respondent"). The first appearance will take place electronically by videoconference before a hearing panel of the Ontario District Hearing Committee of CIRO (the "Hearing Panel") on August 14, 2024, at 10:00 am Eastern Time or as soon thereafter as the hearing can be held. The Hearing on the Merits will take place at a time and venue to be announced. Members of the public who would like to attend the first appearance by videoconference as an observer should contact hearings@ciro.ca to obtain particulars.

DATED this 16th day of May, 2024.

"Michelle Pong"

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Michelle Pong
Director, Hearings

Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, ON M5H 0B4
Telephone: 416-945-5134
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NOTICE is further given that CIRO alleges the following violations of the Mutual Fund Dealer Rules:

Allegation #1: Between January 2018 and September 2020, the Respondent engaged in securities related business that was not carried on for the account or through the facilities of the Dealer Member by recommending, selling, or facilitating the sale of promissory notes to clients and another individual, contrary to MFDA Rule 1.1.1.[1]

Allegation #2: Between January 2018 and September 2020, the Respondent engaged in outside activities that were not approved by the Dealer Member, contrary to Mutual Fund Dealer Rule 1.3.2.

Allegation #3: Between January 2018 and September 2020, the Respondent failed to disclose to the Dealer Member a conflict or potential conflict of interest in respect of the Respondent's outside activities, contrary to MFDA Rule 2.1.4.[2]

Allegation #4: In or about February 2018 and June 2018, the Respondent created false or misleading notes on an account form and in the Dealer Member's system, contrary to Mutual Fund Dealer Rule 2.1.1.

PARTICULARS

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

Overview

1. As described in more detail below, between January 2018 and September 2020, unbeknownst to the Dealer Member and without its approval, the Respondent

[1] On January 21, 2021, amendments to MFDA Rule 1.1.1 came into effect. As the conduct in this proceeding pre-dated the amendments to that Rule, the version of MFDA Rule 1.1.1 that was in effect between February 23, 2001 and January 20, 2021 is applicable to this proceeding.
[2] On June 30, 2021, amendments to MFDA Rule 2.1.4 came into effect. As the conduct in this proceeding pre-dated the amendments to that Rule, the version of MFDA Rule 2.1.4 that was in effect between February 23, 2001 and June 29, 2021 is applicable to this proceeding.

recommended, sold or facilitated investments outside the Dealer Member in promissory notes (the “Promissory Notes”) to at least six clients and another individual (the “Investors”). The Respondent represented to the Investors that the investment was in a company known as Advantagewon, which held itself out to be a company in the business of lending monies to individuals to pay for car related expenses. The Investors entered into Promissory Notes for this investment with a numbered company operating as Palify Lending (“Palify”), which was a company that lent monies to Advantagewon. Individual MW, who was an acquaintance of the Respondent, was an officer and director for both Palify and Advantagewon. The Respondent himself invested a total of approximately $666,000 in Advantagewon, having purchased convertible debentures, which converted to common shares in Advantagewon on September 1, 2019.

2. The Investors invested a total of approximately $1,160,000 in the Promissory Notes.

3. In or about December 2021, the Investors ceased receiving payments, and collectively, the Investors suffered financial losses of their principal amounts invested plus some or all of the interest they were entitled to pursuant to the Promissory Notes.

Registration History

4. From November 29, 1996 to June 20, 2021, the Respondent was registered in Ontario as a dealing representative with Quadrus Investments Services Ltd. (the “Dealer Member”), a Dealer Member of CIRO (formerly a Member of the MFDA).

5. At all material times, the Respondent conducted business in the London, Ontario area.

6. The Respondent is not currently registered in the securities industry in any capacity.

Allegation #1 – Securities Related Business Outside the Dealer Member

7. At all material times, the Dealer Member's policies and procedures prohibited Approved Persons from selling non-approved investment products.

8. Advantagewon was a company incorporated by individual MW, who was an acquaintance of the Respondent. Advantagewon's business involved providing loans to individuals to pay for their car related expenses.

9. Individual MW also incorporated a numbered company that carried on business as Palify, which was a business that acted as a lender to Advantagewon.

10. Commencing in about 2016, the Respondent purchased convertible debentures in Advantagewon, which converted to common shares on September 1, 2019. Between approximately 2016 and 2020, the Respondent invested a total of approximately $666,000 in Advantagewon.

11. In or about November 2017, the Respondent signed a subordination and postponement agreement on behalf of Palify, in which Palify agreed to subordinate and postpone the loans made to Advantagewon in favour of another third party lender.

12. As described in more detail below, beginning in or about 2018, the Respondent began recommending, selling or facilitating the sale of Promissory Notes to each of the Investors, which he represented to them as being an investment in Advantagewon.

13. On September 1, 2019, the Respondent disclosed to the Dealer Member an outside activity involving a company called "Won Company". He disclosed or represented to the Dealer Member, among other things, the following:

a. he held a 5% ownership in the company;

b. the company's business was lending monies to individuals for mortgages and auto repairs; and

c. he had "[Zero] say in the company" and the outside activity was "only an investment."

14. On September 17, 2019, the Dealer Member approved this outside activity based on the information disclosed by the Respondent.

15. At no time did the Respondent disclose his involvement in selling or facilitating the sale of the Promissory Notes, nor did he disclose that he engaged in any of the activities involving Palify described above.

16. Between January 2018 and September 2020, the Respondent recommended, sold or facilitated the sale of the Promissory Notes to each of the Investors. Although, the borrower under the Promissory Notes was the numbered company that operated under the name Palify, the Respondent represented to the Investors that the Promissory Notes were an investment in Advantagewon.

17. When describing Advantagewon and the investment opportunity to the Investors, the Respondent represented the following:

a. the investment opportunity was only open to friends and family;

b. the principal investment could be returned at any time;

c. the business involved loaning monies to individuals for car related expenses which were structured as a "car lien" which was subject to high interest and ranked above all other credit for repayment; and

d. the Investors would receive a fixed percentage-based interest rate of 15% per annum, calculated and payable monthly.

18. The Respondent recommended, sold, or facilitated the sale of the Promissory Notes to the Investors in the total amount of approximately $1,160,000, as set out below:

Investors	Amount Invested
Client AB	$80,000 on January 3, 2018 $20,000 on March 26, 2018 $60,000 on November 26, 2018

Client JM	$200,000 on February 21, 2018 $100,000 on July 24, 2019
Clients PC and EC	$100,000 in or about July 2018
Clients QB and MLB	$200,000 on November 20, 2018 $100,000 on April 5, 2019 $100,000 on March 12, 2020
Individual EV	$200,000 on September 28, 2020
Total:	**$1,160,000**

19. The Respondent engaged in one or more of the following activities in relation to the purchase by the Investors of the Promissory Notes:

a. introduced the Investors to the opportunity to invest;

b. discussed with the Investors the terms and features of the investment;

c. recommended the investment to the Investors;

d. recommended that at least one client borrow monies in order to make the investment;

e. organized and together with Investors attended meetings with individual MW for the Investor to obtain additional information about Advantagewon and the investment;

f. provided promotional materials about Advantagewon;

g. provided the Promissory Notes to the clients for signature and in some instances provided the signed Promissory Notes to individual MW on behalf of the Investors; or

h. communicated with the Investors and individual MW regarding completing paperwork to facilitate the investment by the Investors.

20. Some of the clients redeemed holdings from their mutual fund accounts at the Dealer Member to purchase the Promissory Notes. The Respondent processed the redemptions at the Dealer Member to fund the purchases.

21. As described above at paragraph 18, on February 21, 2018, client JM purchased a Promissory Note. To do so, client JM redeemed holdings in his mutual fund account at the

Dealer Member. When processing the redemption, the Respondent recorded on the redemption form that the purpose of the redemption was to pay for home renovations, which was false or misleading, since the proceeds were used to purchase the Promissory Note.

22. In or about July 2018, clients EC and PC redeemed holdings from their mutual fund accounts with the Dealer Member to invest in the Promissory Notes. The Respondent recorded on the redemption form that the purpose of the redemptions was to pay for travel, which was false or misleading, since the proceeds were used to purchase the Promissory Note.

23. The Dealer Member was not aware, nor did it approve, of the sale of the Promissory Notes described above to its clients by any Approved Persons, including the Respondent.

24. None of the purchases of the Promissory Notes described above were carried on for the account of the Dealer Member or processed through its facilities.

25. The Investors who purchased the Promissory Notes described above suffered financial losses of the principal amounts of their investments plus some or all of the interest payable pursuant to the Promissory Notes.

26. By engaging in the conduct described above, the Respondent engaged in securities related business that was not carried on for the account of the Dealer Member or processed through its facilities, contrary to Mutual Fund Dealer Rules 1.1.1.

Allegation #2 – Undisclosed Outside Activities

27. At all material times, the Dealer Member’s policies and procedures prohibited its Approved Persons from engaging in outside business activity without written approval from the Dealer Member.

28. At no time did the Respondent disclose to or obtain approval from the Dealer Member to:

a. engage in any of the conduct described above in respect of the Investors, including, selling or facilitating the sale of any investments associated with Advantagewon or Palify; or

b. have any involvement with Palify or the numbered company that carried on business as Palify, including raising investment monies from the Investors, or entering into agreements on behalf of the company, as described above.

29. As described above, the Respondent had significant investments in Advantagewon and was a shareholder of the company and, thereby, stood to benefit from the purchase by the Investors of investments in Advantagewon or Palify.

30. By virtue of the foregoing, the Respondent engaged in undisclosed outside activities which were not approved by the Dealer Member, contrary to Mutual Fund Dealer Rules 1.3.2.

Allegation #3 – Conflicts of Interest

31. At all material times, the Dealer Member's policies and procedures required Approved Persons to avoid actual or potential conflicts of interest and to disclose any potential or actual conflict of interest to the Dealer Member.

32. As described above, the Respondent recommended, sold, or facilitated the sale of the Promissory Notes in the total amount of approximately $1,160,000 to the Investors, including clients AB, JM, PC, EC, QB and MLB who at the material time were clients of the Dealer Member whose accounts were serviced by the Respondent.

33. Given the Respondent's interest in Advantagewon described above, by selling or facilitating the sale of any investments associated with Advantagewon or Palify to clients, the Respondent engaged in conduct that gave rise to a conflict or potential conflict of

interest that the Respondent was required to disclose to the Dealer Member, but failed to do so.

34. By virtue of the foregoing, the Respondent engaged in conduct that was contrary to MFDA Rule 2.1.4.

Allegation #4 – False or Misleading Notes

35. As described above at paragraphs 20-22, the Respondent recorded false or misleading notes with respect to redemptions by clients JM, and EC and PC from their mutual fund accounts at the Dealer Member in order to purchase a Promissory Note.

36. By virtue of the foregoing, the Respondent engaged in conduct that was contrary to Mutual Fund Dealer Rule 2.1.1.

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

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

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

- has failed to carry out any agreement with CIRO;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Dealer Member or of any regulation or policy made pursuant thereto;

- has failed to comply with the provisions of the Mutual Fund Dealer Rules of CIRO;
- has engaged in any business conduct or practice which such Hearing Panel in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

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

(a) a reprimand;

(b) a fine not exceeding the greater of:

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

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

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

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

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

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

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

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

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

Canadian Investment Regulatory Organization
Bay Adelaide North
40 Temperance Street, Suite 2600
Toronto, Ontario, M5H 0B4
Attention: Molly McCarthy, Enforcement Counsel
Email: mmccarthy@ciro.ca

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

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

Canadian Investment Regulatory Organization
Bay Adelaide North
40 Temperance Street, Suite 2600
Toronto, Ontario, M5H 0B4
Attention: Hearing Office; or

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

A **Reply** may either:

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

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

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

NOTICE is further given that if the Respondent fails:

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

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

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

End.

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