



CIRO · OCRI

Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

**IN THE MATTER OF
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES
AND THE DEALER MEMBER RULES
AND THE UNIVERSAL MARKET INTEGRITY RULES**

AND

OMAR GOUDA

NOTICE OF HEARING

An initial appearance will be held before a hearing panel of the Canadian Investment Regulatory Organization (“CIRO”)¹ pursuant to Rule 8200 of the Investment Dealer and Partially Consolidated Rules (the “Investment Dealer Rules”) to schedule a hearing in the matter of **Omar Gouda** (the “Respondent”). The initial appearance and the hearing will be subject to Investment Dealer Rule 8400, as further referenced below, that governs the conduct of enforcement proceedings.

The initial appearance will be held by way of videoconference on Wednesday, July 24, 2024 at 9:30 a.m. ET

The purpose of the hearing will be to determine whether the Respondent has contravened CIRO requirements. The alleged contraventions are contained in the attached Statement of Allegations.

If the hearing panel finds that the Respondent contravened CIRO requirements alleged in the Statement of Allegations, the hearing panel may impose one or more of the following sanctions pursuant to section 8210 of the Investment Dealer Rules:

- (i) a reprimand,
- (ii) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention,
- (iii) a fine not exceeding the greater of:
 - (i) \$5,000,000 for each contravention, and
 - (ii) an amount equal to three times the profit made or loss avoided by the person, directly or indirectly, as a result of the contravention.

- (iv) suspension of the person's approval or any right or privilege associated with such approval, including access to a Marketplace, for any period of time and on any terms and conditions,
- (v) imposition of any terms or conditions on the person's continued approval or continued access to a Marketplace,
- (vi) prohibition of approval in any capacity, for any period of time, including access to a Marketplace,
- (vii) revocation of approval,
- (viii) a permanent bar to approval in any capacity or to access to a Marketplace,
- (ix) permanent bar to employment in any capacity by a Regulated Person
- (x) any other sanction determined to be appropriate under the circumstances.

In addition, pursuant to section 8214 of the Investment Dealer Rules, a hearing panel may order the Respondent to pay any costs incurred by or on behalf of CIRO in connection with the hearing and any investigation related to the hearing.

The Respondent must serve a response to this Notice of Hearing in accordance with section 8415 within 30 days from the effective date of service of this Notice of Hearing. If the Respondent does not file a response in accordance with subsection 8415(1), the hearing panel may proceed with the hearing on its merits on the date of the initial appearance, without further notice to and in the absence of the Respondent, and the hearing panel may accept as proven the facts and contraventions alleged in the Statement of Allegations and may impose sanctions and costs.

If the Respondent files a response in accordance with subsection 8415(1), the initial appearance will be immediately followed by an initial prehearing conference, for which a prehearing conference form must be filed in accordance with subsection 8416(5).

The Respondent is entitled to attend the hearing and to be heard, to be represented by counsel or by an agent, to call, examine and cross-examine witnesses, and to make submissions to the hearing panel at the hearing.

DATED April 2, 2024.

Sandra Poree

NATIONAL HEARING OFFICER
Canadian Investment Regulatory Organization

40 Temperance Street, Suite 2600
Toronto, Ontario, M5H 0B4

¹ The Canadian Investment Regulatory Organization (“CIRO”) has 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 the rules and certain by-laws and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the rules and by-laws 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.

Section 1105 (Transitional provision) of the Investment Dealer and Partially Consolidated Rules sets out CIRO’s continuing jurisdiction, including that CIRO shall continue the regulation of any person subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada that was formerly conducted by the Investment Industry Regulatory Organization of Canada.



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STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated April 2nd, 2024, Enforcement Staff make the following allegations:

PART I – REQUIREMENTS CONTRAVENED

Contravention 1

Between November 2020 and January 2022, the Respondent failed to use due diligence to ensure the recommendations made for his client BL were suitable, contrary to paragraph 1 (q) of Dealer Member Rule 1300 (before January 1st, 2022) and section 3402 of the Investment Dealer and Partially Consolidated Rules (beginning January 1st, 2022).

Contravention 2

Between November 2020 and January 2022, the Respondent engaged in excessive trading in the accounts of his client BL, which was not within the bounds of good business practice, contrary to paragraph 1 (o) of Dealer Member Rule 1300 (before January 1st, 2022) and section 3102 of the Investment Dealer and Partially Consolidated Rules (beginning January 1st, 2022).

PART II – RELEVANT FACTS AND CONCLUSIONS

Background

1. The Respondent has been registered with the Canadian Investment Regulatory Organization (CIRO) as well as its predecessor, the Investment Industry Regulatory Organization of Canada (IIROC), since October 2016.
2. From September 2020 to April 2022, the Respondent was employed by and registered with Research Capital Corporation (RCC).
3. Since September 2022, the Respondent is employed by and registered with another CIRO dealer-member.

Client BL

4. BL, born in 1972 and employed as a software developer, completed an initial *New Client Application Form* with the Respondent and RCC on or about October 17, 2020.
5. According to her file, client BL's investment knowledge was then "limited", her investment objectives set at 100% under "grow portfolio through income and/or capital gains" and her risk tolerance, "60% medium risk; 40% high risk".
6. On or about October 25, 2021, BL completed another *New Client Application Form* with the Respondent and RCC, pursuant to which her investment knowledge was upgraded to "good" and her investment objectives revised to "60% grow portfolio through income and/or capital gains; 40% short term trading", whilst her risk tolerance remained "60% medium risk; 40% high risk".
7. For the 15 months included in the period from November 1st, 2020 to January 31, 2022 ("the Relevant Period"), the investments in BL's accounts have exceeded the 40% high risk threshold on 11 occasions and, for 9 of these months, these high risk investments have represented between 66% and 92% of BL's

accounts.

8. For the Relevant Period, the Respondent has executed 173 trades in the accounts of BL, which resulted in an annualized turnover ratio of 6.57.
9. These trades generated commissions in the amount of \$23,762.20, which represented an annualized commission-to-equity ratio of 40% in the accounts of BL for the relevant period.
10. The Respondent has received 50% of these commissions, in the amount of \$11,881.10.
11. Whilst the investments in BL's accounts over the relevant period represented a total of \$104,099.49, their value as at January 31, 2022 was \$49,007.17.
12. RCC and BL have since agreed on a compensation for the losses incurred in BL's accounts.

DATED at Montreal, Quebec this April 2nd, 2024.