

Re Gravitas Securities Inc.

IN THE MATTER OF:

The Investment Dealer and Partially Consolidated Rules

and

Gravitas Securities Inc.

2024 CIRO 69

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard in writing: August 7, 2024 in Toronto, Ontario
Decision: September 9, 2024

Hearing Panel:

The Honourable Robert P. Armstrong, K.C, Chair
Peter J Dymott
Ranee Pavalow

Appearances:

Rob Delfrate, Senior Enforcement Counsel

REASONS FOR DECISION

I. INTRODUCTION

¶ 1 This is an application in writing made by Enforcement Staff of the Canadian Investment Regulatory Organization (“CIRO”) who seek an order expelling Gravitas Securities Inc. (“Gravitas”) from CIRO and terminating its rights and privileges of membership.

II. THE GROUNDS FOR THE APPLICATION ARE AS FOLLOWS:

1. On March 7, 2023, Gravitas was advised that it had triggered the criteria under Investment Dealer Rule 4133 for Early Warning Level Two.
2. Between March 6 and March 16, Gravitas reported capital deficiencies ranging from \$88,000 to \$769,000.
3. The capital deficiency was rectified on March 17, 2023.
4. On April 11, 2023, Gravitas again reported a capital deficiency which it was unable to rectify.
5. On June 8, 2023, a CIRO hearing panel issued an order (the “Order”) suspending the membership of Gravitas pursuant to ss. 8212 and 8426 of the Investment Dealer Rules. Gravitas had advised CIRO of its intention to wind up its investment dealer business and was experiencing financial and operating difficulty.
6. Gravitas did not oppose the Order.
7. The Order provided that “At any time, Enforcement Staff may make an application, without notice to Gravitas, in a written hearing, for an order expelling Gravitas as a Dealer Member and terminating its rights and privileges of membership”.

8. All client assets have been transferred from Gravitas.
9. To date, Gravitas has complied with the terms of the Order to the satisfaction of Staff.
10. On October 3, 2023, a CIRO hearing panel accepted a settlement agreement entered into between Gravitas and Enforcement Staff in which Gravitas admitted that, in May 2020, it failed to have and maintain its risk adjusted capital greater than zero, contrary to Dealer Member Rule 17.1.
11. Pursuant to the settlement agreement, Gravitas was required to disgorge \$38,834.40.
12. Gravitas has disgorged that amount as of June 19, 2024.
13. Staff is not aware of any outstanding claims against Gravitas.
14. There are no developments that make the termination of Gravitas' membership contrary to the interest of Gravitas' former clients.
15. Gravitas has signed a Consent for the order sought in this application.
16. Sections 8212, 8409, 8413 and 8426 of the Investment Dealer Rules.”

III. EVIDENCE IN SUPPORT OF THE APPLICATION

¶ 2 Ms. Nancy Catton, the Manager of Financial and Operational Compliance for CIRO filed an affidavit in support of this application. Ms. Catton confirmed that Gravitas had been suspended from CIRO on June 8, 2023, and has since that time complied with the suspension Order. She further testified that Gravitas does not have any client assets, and there are no current complaints against Gravitas.

¶ 3 Ms. Catton further testified that pursuant to a settlement agreement of October 3, 2023, Gravitas admitted that in May 2020, it failed to maintain the risk-adjusted capital greater than zero contrary to its CIRO obligations. Gravitas agreed to disgorge \$38,834.40, which represented its share of the commissions earned on a transaction, which resulted in a capital deficiency. The aforesaid amount was paid on June 19, 2024.

IV. SUBMISSIONS OF COUNSEL FOR CIRO

¶ 4 Enforcement Counsel seeks an order pursuant to section 8212(4) of the Investment Dealer and Partially Consolidated Rules expelling Gravitas from CIRO and terminating its rights and privileges.

¶ 5 The protective order of June 8, 2023, which suspended Gravitas' membership in CIRO provided that Enforcement Staff may apply for an order expelling Gravitas as a Dealer Member and terminating its rights and privileges of membership. Counsel advised that Gravitas has consented to the draft order for this application.

¶ 6 Since June 8, 2023, all client assets have been transferred from Gravitas. Gravitas has complied with the terms of the Order to the satisfaction of the CIRO staff.

¶ 7 On October 3, 2023, a CIRO hearing panel approved the settlement agreement between CIRO Enforcement Staff and Gravitas. In the agreement, Gravitas admitted that in May 2020, it failed to have and maintain its risk adjusted capital greater than zero contrary to Dealer Member Rule 17.1. As indicated above, Gravitas was required to disgorge \$38,834.48, which was paid on June 19, 2024.

¶ 8 As indicated above, Enforcement Counsel advised that Gravitas has complied with the provisions of the Order of June 8, 2023, and the terms of the settlement agreement of October 3, 2023. Gravitas no longer operates as an investment dealer business. Enforcement Counsel submitted that there is no reason for Gravitas to continue to hold its rights and privileges of membership in CIRO.

¶ 9 Finally, Enforcement Counsel submitted that, based on the evidence placed before us and the submissions made, the appropriate order in this case is as requested by Enforcement Counsel. Enforcement Counsel relies upon cases in which similar orders have been granted. See *Re Regent Capital Partners 2022 IIROC 23* and *Re Pace Securities 2023 IIROC 34*.

V. CONCLUSION

¶ 10 This panel accepts the evidence before us and the submissions of Enforcement Counsel. In the result, an order will issue pursuant to section 8212(4)(v) of the Investment Dealer and Partially Consolidated Rules

expelling Gravitass from CIRO and terminating its rights and privileges of membership in CIRO.

DATED at Toronto, Ontario, this 9th day of September 2024.

“Robert P. Armstrong” _____

The Honourable Robert P. Armstrong, Chair

“Peter J. Dymott” _____

Peter J. Dymott

“Ranee Pavalow” _____

Ranee Pavalow

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