

Re Viron

IN THE MATTER OF:

The Investment Dealer and Partially Consolidated Rules

and

John Viron

2024 CIRO 86

Hearing Panel of the Canadian Investment Regulatory Organization
(Quebec District)

Heard: November 5, 2024 (by videoconference)

Decision: November 5, 2024

Written reasons: December 9, 2024

Hearing Panel:

Jacques R. Fournier, Chair, Jean Jeannot and Danielle Le May

Appearances:

Francis Larin, Enforcement Counsel

Thomas Grenier, articling law student

Nicolas Plourde, Counsel for the Respondent

DECISION ON ACCEPTANCE OF SETTLEMENT AGREEMENT

PART I – INTRODUCTION

¶ 1 Enforcement Staff and the Respondent John Viron (the Parties) have agreed on a settlement, a copy of which is attached to this decision. The Parties requested that the Hearing Panel determine whether the said settlement could be accepted pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the IDPC Rules) of the Canadian Investment Regulatory Organization (CIRO).

¶ 2 Out of a concern for accuracy and to avoid repetition, the Hearing Panel reproduces the relevant passages of the agreement below:

PART III – AGREED FACTS

Overview

¶ 3 On three occasions, in 2019, 2020 and 2021, the Respondent traded securities on over-the-counter markets (OTC) between residents of Quebec and British Columbia in connection with new issues and one take-over bid.

¶ 4 The units of the new issue or of the take-over bid were subscribed to by clients residing in British Columbia, who were authorized to participate, and then immediately resold, in whole or in part, to clients residing in Quebec, despite the prohibition against Quebec residents participating.

¶ 5 To do so, the Respondent executed OTC cross trades, despite the fact that these transactions involved a change of beneficiary.

¶ 6 The price of the securities was determined by the Respondent, with the consent of the seller in British Columbia and the buyers in Quebec.

Background

¶ 7 John Viron (the Respondent) has been approved as a full-service advisor since 1986.

¶ 8 He has worked at Desjardins Securities Inc. (DSI) since November 2001 as a registrant.

¶ 9 His place of employment is the DSI Laval Branch.

Material Facts

A – New issue by High Tide Inc.

¶ 10 High Tide Inc. (HITI) is a public company and its shares are traded on the TSX Venture Exchange (TSXV).

¶ 11 On February 1, 2021 HITI announced a stock offering for the purpose of obtaining additional financing on the Canadian stock markets. The issue (Bought Deal Equity Financing) was for CA \$15,000,000 in financing.

¶ 12 On February 2, 2021 that amount was increased to CA \$20,000,000 because of demand. The issue price was set at \$0.48.

¶ 13 Subscription was only available to clients residing outside of Quebec, as stated in a prospectus of the issuer.

¶ 14 The prospectus stated that the subscription expiry date would be no later than February 23, 2021.

¶ 15 Each unit of the offering included one share in HITI and a half warrant to purchase one additional common share. Each subscription warrant entitled the holder to subscribe to one HITI share at the exercise price of \$0.58 for 36 months following the warrant expiry date.

¶ 16 Between February 1, 2021 and February 2, 2021 the Respondent was allocated 198,000 units of HITI at \$0.48.

¶ 17 After obtaining his allocation, the Respondent communicated with his client residing in the province of British Columbia (BC Ltd.) to offer the client the issue price of \$0.48 per unit.

¶ 18 His client, BC Ltd., confirmed its interest in purchasing the units, holding on to 18,000 of them, and then reselling 180,000 units at the same price.

¶ 19 On or around February 2, 2021 the Respondent contacted three clients residing in Quebec to offer them the 180,000 units, telling them they were OTC trades.

¶ 20 On February 5, 2021 one of the Respondent's clients residing in Quebec, Client 1, shorted 15,000 shares of HITI in its margin account at a price of \$0.78.

¶ 21 The Respondent had intended to cover Client 1's short position with the purchase of units from HITI's new offering which could only be distributed to clients who were non-residents of Quebec.

¶ 22 On February 16, 2021 Client 1 shorted 35,000 other shares in HITI at a price of \$0.84.

¶ 23 On February 17, 2021 the Respondent's BC Ltd. client instructed him to sell 180,000 units of HITI at the price agreed on February 2, 2021, namely \$0.48 (the underlying shares were trading at prices ranging from \$0.44 to \$0.54), to Client 1 as well as to two other clients of the Respondent residing in Quebec, Client 2 and Client 3. The settlement date for this sale was February 23, 2021.

¶ 24 The Respondent's three Quebec clients purchased the 180,000 units of the new HITI issue from the BC Ltd. client, by means of OTC cross-trades at the following prices (prices include commissions):

- i. Client 1: 160,000 units @ \$0.485

ii. Client 2: 10,000 units @ \$0.50

iii. Client 3: 10,000 units @ \$0.50

¶ 25 On February 17, 2021 the Respondent forwarded to his assistant the details of the “Cross” order between the BC Ltd. client and the three clients in Quebec.

¶ 26 With DSI’s approval, the Respondent’s assistant submitted the Cross order between the BC Ltd. client and the clients residing in Quebec to the DSI Trade Entry Department.

¶ 27 The order contained the details of the client selling price and the transfer price which included the commission. Those prices were set by the Respondent, with no objection from any of the parties to the transaction and with DSI approval.

¶ 28 The Respondent executed the trades OTC, despite the fact that they entailed a change of beneficiary.

¶ 29 For the cross trade, the BC Ltd. client agreed to sell the units at a price of \$0.48.

¶ 30 For the clients residing in Quebec who purchased the units from the BC Ltd. client, the trade was executed at prices ranging between \$0.485 and \$0.50.

¶ 31 On February 17, 2021 the underlying shares in HITI were trading on the secondary market at prices ranging between \$0.77 and \$0.84 and closed at \$0.77.

¶ 32 The settlement date for those trades was February 23, 2021.

¶ 33 On February 18, 2021 the Respondent entered the trading order to settle the new issue of 198,000 units of HITI, which was purchased by the BC Ltd. client on the primary market at the issue price of \$0.48, for a value of \$95,040.

¶ 34 The settlement date for that transaction was February 22, 2021.

¶ 35 Between February 2, 2021 and the offering’s expiry date on February 22, 2021, the units of the new HITI issue were not yet trading on the stock market.

¶ 36 The three clients residing in Quebec also received the subscription warrants attached to the units of the new issue in their accounts, together with the new HITI shares they purchased.

¶ 37 The account statements and trade confirmations of the three Quebec clients who purchased the HITI units indicated that the purchase of those units was [translation] “conditional on issuance”, a note usually reserved for clients participating in new issues.

¶ 38 The trade confirmations of the BC Ltd. client and the three Quebec clients who participated in the OTC cross-trade display the same CUSIP number and security number as the security that was offered in the new issue that resulted from that transaction; they differed once the security was subsequently traded on the secondary market, as shown in Appendix A.

¶ 39 When the clients in Quebec later sold their HITI stock, the CUSIP and security numbers changed because the shares were traded on the secondary market, distinct from the subscription warrants.

¶ 40 With this transaction the Respondent enabled the three clients who were Quebec residents to acquire units of the new HITI issue, with the attached subscription warrants, despite the prohibition against Quebec residents participating.

¶ 41 He executed those cross-trades OTC even though they entailed a change of beneficiary.

¶ 42 From February 5, 2021, the date of the first short sale in the account of Client 1, to February 23, 2021, the settlement date for the HITI issue, the underlying security was trading at a price ranging between \$0.62 and \$1.13 per share.

¶ 43 Between the February 17, 2021 transaction date and the February 23, 2021 settlement date for the HITI OTC cross-trade, the underlying security was trading on the market at a price ranging between \$0.56 and \$0.87.

¶ 44 After the OTC cross-trade, the Respondent's three clients residing in Quebec sold the newly acquired units and realized gains, as shown in Appendix B.

¶ 45 Client 1 purchased 160,000 units at the price of \$0.485 and sold the shares on the secondary market at prices ranging between \$0.740 and \$0.850, for a gain of \$49,000. The client also sold the subscription warrants attached to those units on the secondary market for about \$27,595.

¶ 46 Client 2 purchased 10,000 units at the price of \$0.50, for a total of \$5,000, and sold the shares on the secondary market on February 25, 2021, two days after the settlement date, at a price of \$0.71, for a gain of \$2,100.

¶ 47 Client 3 also purchased 10,000 units at the price of \$0.50 for a total of \$5,000, and sold the shares on the secondary market on February 25, 2021 at prices ranging between \$0.710 and \$0.715, for a gain of \$2,105.

¶ 48 In the course of its investigation Staff identified two other occasions where the Respondent proceeded in the same manner, to enable clients in Quebec to participate in offerings for which they were not eligible.

B – New Found Gold Corp (NFG) public offering

¶ 49 New Found Gold Corp. (NFG) is a company engaged in the listing process on the TSX Venture Exchange (TSXV).

¶ 50 On July 31, 2020 NFG announced an Initial Public Offering (IPO). The offer was for a minimum financing of \$15,000,000 (11,538,462 shares) and a maximum of \$27,300,000 (21,000,000 shares).

¶ 51 The offering price was \$1.30 per unit. The closing date set out in the prospectus was August 11, 2020.

¶ 52 At the time, NFG shares were not traded on any market other than the primary market.

¶ 53 The IPO was not available to residents of Quebec. It was only available to residents of Alberta, British Columbia and Ontario, as indicated in the prospectus.

¶ 54 The BC Ltd. client and another client of the Respondent in British Columbia subscribed to the IPO issue. The settlement date was August 11, 2020.

¶ 55 Through OTC cross-transactions, the shares of the IPO were sold by these two clients and purchased by Client 1, who resided in Quebec.

¶ 56 The price was set by the Respondent, without objection from either party to the transaction and with the approval of DSI.

¶ 57 On August 7, 2020, with the approval of DSI, the Respondent's assistant transmitted an order for Client 1 in Quebec to purchase 10,000 shares from the BC Ltd. client at a price of \$1.35, and 10,000 shares from the other client residing in British Columbia at a price of \$1.33.

¶ 58 The settlement date for those cross transactions was August 11, 2020, the closing date of the IPO issuer bid.

¶ 59 The BC Ltd. client sold its shares at the same price as the IPO issuer bid, i.e. \$1.30. The other client sold its shares at \$1.33.

¶ 60 Client 1 purchased the shares at the prices established by the Respondent, i.e., \$1.35 for those of the BC Ltd. client and \$1.33 for those of the other client. The difference in price represented a commission charged to the client.

¶ 61 The account statement and trade confirmation of Client 1, who purchased the New Found Gold Corp. units, stated that the share purchase was [translation] "conditional on issuance", a note usually reserved for clients participating in new issues.

¶ 62 The shares began to trade on the secondary market on August 12, 2020.

¶ 63 On the first day of trading, the NFG stock traded at:

- High: \$1.57

- Low: \$1.36

¶ 64 Closing: \$1.54

¶ 65 Client 1 in Quebec sold its NFG shares on the secondary market at prices ranging between \$1.60 and \$1.69.

C – New issue by Cresco Labs Inc. (CL)

¶ 66 Cresco Labs Inc. (CL) is a public company and its shares are traded on the Canadian Securities Exchange (CSE).

¶ 67 On September 18, 2019 CL announced a new issue of 7,350,000 units to secure \$73,500,000 in financing.

¶ 68 The issue price was set at \$10. Each unit comprised one common share and one half of a subscription warrant.

¶ 69 The subscription was not available to Quebec residents, as indicated in the issuer's prospectus.

¶ 70 The expected closing date of the issue was September 24, 2019.

¶ 71 With DSI's approval, on September 19, 2019 the Respondent's assistant submitted an OTC cross order to purchase 10,000 units of CL from the BC Ltd. client at \$10.15. The settlement date was September 24, 2019.

¶ 72 On September 24, 2019 the BC Ltd. client acquired 12,000 units of the new issue at \$10 per unit.

¶ 73 In an OTC cross trade the BC Ltd. client sold 10,000 units of the new issue at a price of \$10, which was the same as the issue price.

¶ 74 Client 1, a Quebec resident, purchased the 10,000 units of the new issue from the BC Ltd. client for the price of \$10.015 per unit. The difference between the transfer price and the price paid by Client 1 represents a \$150 commission that was charged to the client. The settlement date was September 24, 2019. The price of the cross-transactions was set by the Respondent, without objection from either party to the transaction and with DSI approval.

¶ 75 Client 1 also obtained 5,000 subscription warrants with the purchase of the units.

¶ 76 The day the cross order was entered, the underlying shares were trading on the secondary market at:

- Low: \$9.50
- High: \$9.92
- Closing: \$9.50

¶ 77 The account statement and trade confirmation of Client 1, who purchased the Cresco Labs Inc. units, stated that the share purchase was [translation] “conditional on issuance”, a note usually reserved for clients participating in new issues.

¶ 78 This transaction enabled a client residing in Quebec to acquire units of the new issue, with the attached subscription warrants, despite the prohibition against Quebec residents participating.

¶ 79 Following approval by DSI the Respondent executed the OTC cross trades even though they entailed a change of beneficiary.

PART IV – MITIGATING FACTORS

¶ 80 The parties have identified the following mitigating factors:

- a. The Respondent has no disciplinary history;
- b. The Respondent admitted his misconduct and cooperated fully with Staff of IIROC and subsequently, CIRO;
- c. The transactions in question were approved by DSI;
- d. None of the clients suffered losses.

PART V – CONTRAVENTION

¶ 81 By engaging in the conduct described above, the Respondent committed the following contravention of CIRO requirements:

Contravention 1

Between September 2019 and February 2021, John Viron (Respondent), a registered representative at Desjardins Securities Inc. (DSI), facilitated the participation of clients residing in Quebec in transactions for which they were not eligible, contrary to Rule 1400 of the *Investment Dealer and Partially Consolidated Rules*.

PART VI – TERMS OF SETTLEMENT

¶ 82 The Respondent agrees to the following sanctions and costs:

- (i) A fine in the amount of \$20,000;
- (ii) Disgorgement of \$3,368.91, representing the commissions received by the Respondent;
- (iii) Costs in the amount of \$5,000.

¶ 83 If this Settlement Agreement is accepted by the hearing panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance.

DISCUSSION

Hearing Panel's Role

¶ 84 The sanction guidelines, as well as the established case law in the matter, limit the role of a hearing panel who is asked to rule on an application to accept a settlement agreement to determine whether the range of sanctions established previously in similar cases is followed in the said agreement.

¶ 85 It is not up to the hearing panel to decide on the merits of the case or suggest changes. The options for the hearing panel are to accept or reject the settlement agreement.

¶ 86 IDPC Rule 8215(5) provides that a hearing panel only has the power to determine whether a settlement agreement can be accepted or not.

¶ 87 That is what the hearing panel concluded in *Re Milewski*, [1999] I.D.A.C.D. No. 17. We cite the relevant passage here:

Although a settlement agreement must be accepted by a District Council before it can become effective, the standards for acceptance are not identical to those applied by a District Council when making a penalty determination after a contested hearing. In a contested hearing, the District Council attempts to determine the correct penalty. A District Council considering a settlement agreement will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness. Put another way, the District Council will reflect the public interest benefits of the settlement process in its consideration of specific settlements.

¶ 88 The same principle is stated in *Re Arnold*, 2023 CIRO 1, para. 15, *Re Barber*, 2023 CIRO 04, para. 18 and *Re Harvey*, 2022 IIROC 32, para. 12.

THE CASE BEFORE US

¶ 89 The Respondent admitted that he facilitated three transactions for residents of Quebec for which they were ineligible, thereby contravening IDPC Rule 1400.

¶ 90 The following sanctions were agreed to in the Settlement Agreement:

- a) a fine in the amount of \$20,000;
- b) disgorgement of \$3,368.91, representing the commissions received by the Respondent;

c) costs in the amount of \$5,000.

¶ 91 The Panel reviewed the precedents in similar cases submitted to it and has relied on the ones listed below:

- *Re Maurice*, 2019 IIROC 20

In that case, it was alleged that the Respondent failed to take into account the client's risk tolerance and that he discussed the client's complaint with him. For both offences, the one on the merits and the other on his interference in the proceedings, the Respondent agreed to the following penalties, which the panel endorsed:

- a) a total fine of \$20,000, \$10,000 for each offence;
- b) completion of the Conduct and Practices Handbook exam within 90 days following acceptance of the settlement agreement;
- c) costs in the amount of \$5,000.

- *Re Asplund*, 2018 IIROC 01

In that case, it was alleged that the Respondent participated in a private placement together with a client, thereby performing an unauthorized transaction without the knowledge of his employer. The Respondent agreed to the following penalties, which the panel endorsed:

- a) a fine of \$15,000;
- b) completion of the Conduct and Practices Handbook exam within 90 days following acceptance of the settlement agreement;
- c) costs in the amount of \$1,500.

- *Re Wood*, 2017 IIROC 18

This was a decision on penalty following a finding of guilt, therefore without the mitigating factor of an admission of misconduct. The Respondent was found guilty of the following contraventions: (1) failing to use due diligence to learn and remain informed of the essential facts relative to the client, contrary to IIROC Dealer Member Rule 1300.1(a); (2) failing to ensure that recommendations made for the client's accounts were suitable for him, contrary to IIROC Dealer Member Rule 1300.1(a); (3) failing to ensure that the client qualified as an accredited investor in accordance with the provisions of National Instrument 45-106 before facilitating the purchase of securities, contrary to IIROC Dealer Member Rule 1300.1(a). The panel imposed the following penalties for the three offences that the Respondent had been found guilty of:

- a) a fine of \$12,500 for each of the first two offences and a fine of \$15,000 for the third, for a total fine of \$40,000;
- b) a six-month suspension from registration in any capacity with IIROC;
- c) disgorgement of \$535 in net commissions;
- d) re-write the Conduct and Practices Handbook Examination within 12 months of re-registration;
- e) six months close supervision after re-registration;
- f) costs in the amount of \$15,000.

- *Re Jacobsen*, 2013 IIROC 59

Two Respondents, the father Ivan Jacobsen (IJ) and his son Keith Jacobsen (KJ) made several private placements without diligently checking whether the investors were properly qualified. The Respondents admitted the contraventions alleged against them and agreed to the following penalties as part of the Settlement Agreement, endorsed by the panel:

KJ, the son, was to:

- a) pay a fine in the amount of \$20,000;
- b) pay an additional fine of \$2,096 corresponding to the commissions he earned;
- c) successfully complete the Conduct and Practices Handbook Course before receiving any compensation;
- d) pay costs in the amount of \$2,500.

IJ, the father, was to:

- a) pay a fine of \$25,000;
- b) pay an additional fine of \$2,096 corresponding to the commissions he earned;
- c) be permanently prohibited from acting in any supervisory capacity;
- d) successfully complete the Conduct and Practices Handbook Course before re-registering in any capacity with a Dealer Member firm;
- e) pay costs in the amount of \$2,500.

▪ *Re Moon et al.*, 2017 IROC 42

The three Respondents admitted that they failed to diligently verify the accredited investor status of clients; Mr. Moon also admitted that he failed to fulfil his supervisory responsibilities and that he did not report the clients' complaints. The Respondents agreed to the following penalties, which the panel endorsed:

- a) For Mr. Moon: a fine of \$35,000;

His fine was higher because, in addition to the offence with regard to verifying accredited investor status, he failed to provide adequate supervision and did not report the client's complaint.

- b) For Mr. Comeau: a fine of \$20,000;

His only admitted offence was with regard to verifying investor status; however, in view of his disciplinary history, his fine was higher than that imposed on the third Respondent, Mr. Torch, whose offence was his first one.

- c) For Mr. Torch: a fine of \$15,000.

The Respondents were also ordered to pay costs in the amount of \$6,000.

▪ *Re Cornacchia*, 2010 IROC 25

The Respondent admitted to two separate contraventions with regard to his failure to use due diligence to verify his clients' investor status. There was no settlement agreement in this case; the parties left it to the panel to determine sanctions. After deliberating, the panel ordered the following sanctions:

- a) a fine of \$5,000 for each offence, for a total fine of \$10,000;
- b) disgorgement of \$1,768 for profits;
- c) completion of the Conduct and Practices Handbook Course exam.

¶ 92 Naturally, every case is unique, especially with regard to the type of contravention and the individual concerned. The offender's disciplinary history is also taken into account.

¶ 93 After studying the precedents, the Panel concluded that the proposed Settlement Agreement did correspond to the range of sanctions imposed for the same kind of offence; which is why, after discussing the issue following the hearing, the Panel informed the Parties that it would accept the Settlement Agreement.

FOR THESE REASONS, THE HEARING PANEL ACCEPTS THE SETTLEMENT AND TAKES NOTE OF THE RESPONDENT'S COMMITMENTS, NAMELY:

- a) to pay a fine of \$20,000;

- b) to disgorge the amount of \$3,368.91, representing the commissions received by the Respondent;
- c) to pay costs of \$5,000.

The whole within 30 days of this decision.

THE PANEL ALSO TAKES NOTE OF THE RESPONDENT'S COMMITMENT TO PAY THE AMOUNTS SET OUT IN THE SETTLEMENT AGREEMENT WITHIN 30 DAYS OF THE PANEL'S ACCEPTANCE, AND TAKES NOTE OF THE STAFF'S UNDERTAKING:

If the hearing panel accepts this Settlement Agreement, the Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of the Settlement Agreement attached hereto, unless the Respondent fails to comply with any of its terms, in which case Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against the Respondent. Such proceedings may be based on, but are not limited to, the facts set out in Part III of the Settlement Agreement.

Dated at Montréal, Quebec, this 9th day of December, 2024.

"Jacques Fournier"

Jacques R. Fournier, Chair

"Jean Jeannot"

Jean Jeannot, Member

"Danielle Le May"

Danielle Le May, Member

**Appendix A
Settlement Agreement**

IN THE MATTER OF:

**The Investment Dealer and Partially Consolidated Rules
and**

John Viron

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

¶ 1 The Canadian Investment Regulatory Organization (CIRO)¹ will issue a Notice of Application to announce a settlement hearing pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the Investment Dealer Rules) to consider whether a hearing panel should accept this Settlement Agreement between Enforcement Staff and John Viron (the Respondent).

PART II – JOINT SETTLEMENT RECOMMENDATION

¶ 2 Enforcement Staff and the Respondent jointly recommend that the hearing panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

PART III – AGREED FACTS

¶ 3 For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

Overview

¶ 4 On three occasions, in 2019, 2020 and 2021, the Respondent traded securities on over-the-counter

markets (OTC) between residents of Québec and British Columbia in connection with new issues and one take-over bid.

¶ 5 The units of the new issue or of the take-over bid were subscribed to by clients residing in British Columbia, who were authorized to participate, and then immediately resold, in whole or in part, to clients residing in Québec, despite the prohibition against Québec residents participating.

¶ 6 To do so, the Respondent executed OTC cross trades, despite the fact that these transactions involved a change of beneficiary.

¶ 7 The price of the securities was determined by the Respondent, with the consent of the seller in British Columbia or the buyers in Québec.

Background

¶ 8 John Viron (the Respondent) has been approved as a full-service advisor since 1986.

¶ 9 He has worked at Desjardins Securities Inc. (DSI) since November 2001 as a registered individual.

¶ 10 His place of employment is the DSI Laval Branch.

Material Facts

A – New issue by High Tide Inc.

¶ 11 High Tide Inc. (HITI) is a public company and its shares are traded on the TSX Venture Exchange (TSXV).

¶ 12 On February 1, 2021 HITI announced a stock offering for the purpose of obtaining additional financing on the Canadian stock markets. The issue (Bought Deal Equity Financing) was for CA \$15,000,000 in financing.

¶ 13 On February 2, 2021 that amount was increased to CA \$20,000,000 because of demand. The issue price was set at \$0.48.

¶ 14 Subscription was only available to clients residing outside of Québec, as stated in a prospectus of the issuer.

¶ 15 The prospectus states that the subscription expiration date will be no later than February 23, 2021.

¶ 16 Each unit of the offering included one share in HITI and a half warrant to purchase one additional common share. Each subscription warrant entitled the holder to subscribe to one HITI share at the exercise price of \$0.58 for 36 months following the warrant expiry date.

¶ 17 Between February 1st, 2021 and February 2, 2021 the Respondent was allocated 198,000 units of HITI at \$0.48.

¶ 18 After obtaining his allocation, the Respondent communicated with his client residing in the province of British Columbia (BC Limited) to offer the client the issue price of \$0.48 per unit.

¶ 19 His client, BC Ltd., confirmed its interest in purchasing the units and holding on to 18,000 of them, and then reselling 180,000 units at the same price.

¶ 20 On or around February 2, 2021 the Respondent contacted three clients residing in Québec to offer them the 180,000 units, specifying to them that these were OTC trades.

¶ 21 On February 5, 2021 one of the Respondent's clients residing in Québec, Client 1, shorted 15,000 shares of HITI in his margin account at a price of \$0.78.

¶ 22 The Respondent had intended to cover Client 1's short position with the purchase of units from HITI's new offering which could only be distributed to clients who were non-residents of Québec.

¶ 23 On February 16, 2021 Client 1 shorted 35,000 other shares in HITI at a price of \$0.84.

¶ 24 On February 17, 2021 the Respondent's BC Ltd. client instructed him to sell 180,000 units of HITI at the price agreed on February 2, 2021, namely \$0.48 (the underlying shares were trading at prices ranging from \$0.44 to \$0.54), to Client 1 as well as to two other clients of the Respondent residing in Québec, Client 2 and Client 3. The settlement date for this sale was February 23, 2021.

¶ 25 The Respondent's three Québec clients purchased the 180,000 units of the new HITI issue from the BC Ltd. client, by means of OTC cross-trades at the following prices (prices include commissions):

Client 1: 160,000 units @ \$0.485

Client 2: 10,000 units @ \$0.50

Client 3: 10,000 units @ \$0.50

¶ 26 On February 17, 2021 the Respondent forwarded to his assistant the details of the "Cross" order between the BC Ltd. client and the three clients in Québec.

¶ 27 With DSI's approval, the Respondent's assistant submitted the Cross order between the BC Ltd. client and the clients residing in Québec to the DSI Trade Entry Department.

¶ 28 The order contained the details of the client selling price and the transfer price which included the commission. Those prices were set by the Respondent, with no objection from any of the parties to the transaction and with DSI approval.

¶ 29 The Respondent executed the trades OTC, despite the fact that they entailed a change of beneficiary.

¶ 30 For the cross trade, the BC Ltd. client agreed to sell the units at a price of \$0.48.

¶ 31 For the clients residing in Québec who purchased the units from the BC Ltd. client, the trade was executed at prices ranging between \$0.485 and \$0.50.

¶ 32 On February 17, 2021 the underlying shares in HITI were trading on the secondary market at prices ranging between \$0.77 and \$0.84 and closed at \$0.77.

¶ 33 The settlement date for those trades was February 23, 2021.

¶ 34 On February 18, 2021 the Respondent entered the trading order to settle the new issue of 198,000 units of HITI, which was purchased by the BC Ltd. client on the primary market at the issue price of \$0.48, for a value of \$95,040.

¶ 35 The settlement date for that transaction was February 22, 2021.

¶ 36 Between February 2, 2021 and the offering's expiry date on February 22, 2021, the units of the new HITI issue were not yet trading on the stock market.

¶ 37 The three clients residing in Québec also received the subscription warrants attached to the units of the new issue in their accounts, together with the new HITI shares they purchased.

¶ 38 The account statements and trade confirmations of the three Québec clients who purchased the HITI units indicated that the purchase of these units was [translation] "conditional on issuance", a note usually reserved for clients participating in new issues.

¶ 39 The trade confirmations of the BC Ltd. client and the three Québec clients who participated in the OTC cross-trade display the same CUSIP number and security number as the security that was offered in the new issue that resulted from that transaction; they differed once the security was subsequently traded on the secondary market, as shown in Appendix A.

¶ 40 When the clients in Québec later sold their HITI stock the CUSIP and security numbers changed because the shares were traded on the secondary market, distinct from the subscription warrants.

¶ 41 With this transaction the Respondent enabled the three clients who were Québec residents to acquire units of the new HITI issue, with the attached subscription warrants, despite the prohibition against Québec residents participating.

¶ 42 He executed those cross-trades OTC even though they entailed a change of beneficiary.

¶ 43 From February 5, 2021, date of the first short sale in the account of Client 1, to February 23, 2021, the settlement date for the HITI issue, the underlying security was trading at a price ranging between \$0.62 and \$1.13 per share.

¶ 44 Between the February 17, 2021 transaction date and the February 23, 2021 settlement date for the HITI OTC cross-trade, the underlying security was trading on the market at a price ranging between \$0.56 and \$0.87.

¶ 45 After the OTC cross-trade, the Respondent's three clients residing in Québec sold the newly acquired units and realized gains, as shown in Appendix B.

¶ 46 Thus, Client 1 purchased 160,000 units at the price of \$0.485 and sold the shares on the secondary market at prices ranging between \$0.740 and \$0.850, for a gain of \$49,000. The client also sold the subscription warrants attached to those units on the secondary market for about \$27,595.

¶ 47 Client 2 purchased 10,000 units at the price of \$0.50, for a total of \$5,000, and sold the shares on the secondary market on February 25, 2021, two days after the settlement date, at a price of \$0.71, for a gain of \$2,100.

¶ 48 Client 3 also purchased 10,000 units at the price of \$0.50 for a total of \$5,000, and sold the shares on the secondary market on February 25, 2021 at prices ranging between \$0.710 and \$0.715, for a gain of \$2,105.

¶ 49 In the course of its investigation Staff identified two other occasions where the Respondent proceeded in the same manner, to enable clients in Québec to participate in offerings for which they were not eligible.

B – New Found Gold Corp (NFG) public offering

¶ 50 New Found Gold Corp. (NFG) is a company engaged in the listing process on the TSX Venture Exchange (TSXV).

¶ 51 On July 31, 2020 NFG announced an Initial Public Offering (IPO). The offer was for a minimum financing of \$15,000,000 (11,538,462 shares) and a maximum of \$27,300,000 (21,000,000 shares).

¶ 52 The offering price was \$1.30 per unit. The closing date set out in the prospectus was August 11, 2020.

¶ 53 At the time, NFG shares were not traded on any market other than the primary market.

¶ 54 The IPO was not available to residents of Québec. It was only available to residents of Alberta, British Columbia and Ontario, as indicated in the prospectus.

¶ 55 The BC Ltd. client and another client of the Respondent in British Columbia subscribed to the IPO issue. The settlement date was August 11, 2020.

¶ 56 Through OTC cross-transactions, the shares of the IPO were sold by these two clients and purchased by Client 1, who resided in Québec.

¶ 57 The price was set by the Respondent, without objection from either party to the transaction and with the approval of DSI.

¶ 58 On August 7, 2020, with the approval of DSI, the Respondent's assistant transmitted an order for Client 1 in Québec to purchase 10,000 shares from the BC Ltd. client at a price of \$1.35, and 10,000 shares from the other client residing in British Columbia at a price of \$1.33.

¶ 59 The settlement date for those cross transactions was August 11, 2020, the closing date of the IPO issuer bid.

¶ 60 The BC Ltd. client sold its shares at the same price as the IPO issuer bid, i.e. \$1.30. The other client sold its shares at \$1.33.

¶ 61 Client 1 purchased the shares at the prices established by the Respondent, i.e. \$1.35 for those of the BC Ltd. client and \$1.33 for those of the other client. The difference in price represented a commission charged to

the client.

¶ 62 The account statement and trade confirmation of Client 1, who purchased the New Found Gold Corp. units, stated that the share purchase was [translation] “conditional on issuance”, a note usually reserved for clients participating in new issues.

¶ 63 The shares began to trade on the secondary market on August 12, 2020.

¶ 64 On the first day of trading, the NFG stock traded at:

- High: \$1.57
- Low: \$1.36
- Closing: \$1.54

¶ 65 Client 1 in Québec sold its NFG shares on the secondary market at prices ranging between \$1.60 and \$1.69.

C – New issue by Cresco Labs Inc. (CL)

¶ 66 Cresco Labs Inc. (CL) is a public company and its shares are traded on the Canadian Securities Exchange (CSE).

¶ 67 On September 18, 2019, CL announced a new issue of 7,350,000 units to secure \$73,500,000 in financing.

¶ 68 The issue price was set at \$10. Each unit comprised one common share and one half of a subscription warrant.

¶ 69 The subscription was not available to Québec residents, as indicated in the issuer's prospectus.

¶ 70 The expected closing date of the issue was September 24, 2019.

¶ 71 With DSI's approval, on September 19, 2019 the Respondent's assistant submitted an OTC cross order to purchase 10,000 units of CL from the BC Ltd. client at \$10.15. The settlement date was September 24, 2019.

¶ 72 On September 24, 2019 the BC Ltd. client acquired 12,000 units of the new issue at \$10 per unit.

¶ 73 In an OTC cross trade the BC Ltd. client sold 10,000 units of the new issue at a price of \$10, which was the same as the issue price.

¶ 74 Client 1, a Québec resident, purchased the 10,000 units of the new issue from the BC Ltd. client for the price of \$10.015 per unit. The difference between the transfer price and the price paid by Client 1 represents a \$150 commission that was charged to the client. The settlement date was September 24, 2019. The price of the cross-transactions was set by the Respondent, without objection from either party to the transaction and with DSI approval.

¶ 75 Client 1 also obtained 5,000 subscription warrants with the purchase of the units.

¶ 76 The day the cross order was entered, the underlying shares were trading on the secondary market at:

- Low: \$9.50
- High: \$9.92
- Closing: \$9.50

¶ 77 The account statement and trade confirmation of Client 1, who purchased the units of Cresco Labs Inc., stated that the purchase of the units was [translation] “conditional on issuance”, a note usually reserved for clients participating in new issues.

¶ 78 This transaction enabled a client residing in Québec to acquire units of the new issue, with the attached subscription warrants, despite the prohibition against Québec residents participating.

¶ 79 Following approval by DSI the Respondent executed the OTC cross trades even though they entailed a change of beneficiary.

PART IV – MITIGATING FACTORS

¶ 80 The parties have identified the following mitigating factors:

- a. The Respondent has no disciplinary history;
- b. The Respondent admitted his misconduct and cooperated fully with Staff of IIROC and subsequently, CIRO;
- c. The transactions in question were approved by DSI;
- d. None of the clients suffered losses.

PART V – CONTRAVENTION

¶ 81 By engaging in the conduct described above, the Respondent committed the following contravention of CIRO requirements:

Contravention 1

Between September 2019 and February 2021, John Viron (Respondent), a registered representative at Desjardins Securities Inc. (DSI), facilitated the participation of clients residing in Québec in transactions for which they were not eligible, contrary to Rule 1400 of the *Investment Dealer and Partially Consolidated Rules*.

PART VI – TERMS OF SETTLEMENT

¶ 82 The Respondent agrees to the following sanctions and costs:

- (i) A fine in the amount of \$20,000;
- (ii) Disgorgement of \$3,368.91, representing the commissions received by the Respondent;
- (iii) Costs in the amount of \$5,000.

¶ 83 If this Settlement Agreement is accepted by the hearing panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Enforcement Staff and the Respondent.

PART VII – STAFF COMMITMENT

¶ 84 If the hearing panel accepts this Settlement Agreement, Enforcement Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.

¶ 85 If the hearing panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement.

PART VIII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

¶ 86 This Settlement Agreement is conditional on acceptance by the hearing panel.

¶ 87 This Settlement Agreement shall be presented to a hearing panel at a settlement hearing in accordance with sections 8215 and 8428 of the Investment Dealer Rules, in addition to any other procedures that may be agreed upon between the parties.

¶ 88 Enforcement Staff and the Respondent agree that this Settlement Agreement will form all the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the hearing panel.

¶ 89 If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the CIRO Rules and any applicable legislation to any further hearing, appeal and review.

¶ 90 If the hearing panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter

into another settlement agreement, or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.

¶ 91 The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.

¶ 92 The Settlement Agreement will become available to the public upon its acceptance by the hearing panel, and CIRO will post a full copy of this Settlement Agreement on the CIRO website. CIRO will publish a notice and news release of the facts, contraventions and the sanctions agreed upon in this Settlement Agreement, and the hearing panel's written reasons for its decision to accept this Settlement Agreement.

¶ 93 If this Settlement Agreement is accepted, the Respondent agrees that neither he nor anyone on his behalf will make a public statement inconsistent with this Settlement Agreement.

¶ 94 This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the hearing panel.

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

¶ 95 The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

¶ 96 An electronic copy of any signature will be treated as an original signature.

DATED the 18th day of September, 2024.

“Witness”

Witness

(s) John Viron

John Viron

(s) Francis Larin

Francis Larin

Senior Enforcement Counsel, on behalf of
Enforcement Staff, CIRO

¹ On January 1, 2023 IIROC and the MFDA were consolidated into a single self-regulatory organization recognized under applicable securities legislation.

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-laws, rules and policies of the MFDA (the “Interim Rules”). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the Universal Market Integrity Rules (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 provisions referred to herein were part of the rules of IIROC and the rules, by-laws or policies of the MFDA that were in force immediately prior to amalgamation and that were 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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