

# Re Carrigan

IN THE MATTER OF:

**The Investment Dealer and Partially Consolidated Rules**

**and**

**Darren Clayton Carrigan**

2025 CIRO 03

Canadian Investment Regulatory Organization  
Hearing Panel (Ontario District)

Heard: December 13, 2024 in Toronto, Ontario via videoconference

Decision: December 13, 2024

Reasons for Decision: January 17, 2025

## **Hearing Panel:**

Fred Webber (Chair), Peter Dymott and Paul Bourque

## **Appearances:**

Joe Kelly, Senior Enforcement Counsel

Cameron Rempel for Darren Clayton Carrigan

Darren Clayton Carrigan (present)

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## **REASONS FOR DECISION ON ACCEPTANCE OF SETTLEMENT**

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### **INTRODUCTION**

[1] This is a hearing to consider a settlement agreement between the parties, dated November 22, 2024, a copy of which is attached hereto (the "Settlement Agreement") in which the Respondent Darren Clayton Carrigan admitted that, between August 2019 and October 2021, he engaged in unapproved outside business activities ("OBAs"), contrary to Dealer Member Rule 18.14.

[2] The Respondent agreed to pay a fine of \$35,000 and costs of \$5,000 and also agreed to a retroactive six-month prohibition on approval in any capacity with CIRO commencing on February 1, 2023.

### **FACTS**

[3] The facts are fully set out in the Settlement Agreement. In summary, the Respondent's OBAs involved him being a shareholder, directly or indirectly, in Anahit International Corp. ("Anahit"), which operated in the cannabis business, New Wave Holdings Corp., which acquired Anahit, Anahit Therapeutics Limited ("Anahit Therapeutics"), CanBud Distribution Corp. ("CanBud") and Zenith Exploration Inc. ("Zenith"), without disclosing such activities to his dealer, Gravitas Securities Inc. ("Gravitas") or obtaining Gravitas' consent to engage in such activities.

### **ACCEPTANCE OF THE SETTLEMENT AGREEMENT**

[4] In determining whether to accept the settlement agreement, the applicable legal principle is that the hearing panel must be satisfied that the settlement agreement is in keeping with CIRO's commitment to protecting investors, providing efficient and consistent regulation and building trust in Canada's financial

regulation and that the proposed sanction is consistent with the CIRO Sanction Guidelines and with previous decisions, and is reasonable, achieves specific and general deterrence, and is commensurate with the conduct described in the settlement agreement.<sup>1</sup>

[5] CIRO Enforcement Staff and the Respondent jointly recommended that this Hearing Panel accept the Settlement Agreement.

[6] The hearing panel in *Re Donnelly* recognized that “[i]t is usually in the public interest that matters be settled where possible rather than be determined through contested hearings.”<sup>2</sup>

[7] In *Re Milewski*,<sup>3</sup> it was held that a hearing panel should not reject the settlement agreement unless it views the penalties proposed therein as “clearly falling outside a reasonable range of appropriateness” given the conduct of the respondent.

[8] The Panel agrees with CIRO Enforcement Counsel that the penalty agreed to in this Settlement Agreement falls within the reasonable range and is consistent with the public interest.

[9] In *Re Cavalaris*,<sup>4</sup> an IIROC hearing panel noted that “[s]ettlements are to be supported as a means of encouraging negotiation and compromise to arrive at an expeditious resolution of appropriate disciplinary proceedings. Accordingly, a joint submission in the regulatory context would be rejected only where the proposal, if accepted, would lead to the conclusion that the regulatory scheme had broken down or was otherwise not in the public interest.”

[10] In *Re Cavalaris*, the hearing panel also noted that joint submissions are both “commonplace and vitally important to the well-being of our criminal justice system, as well as our justice system at large” and that as a general rule, the Crown and defence counsel are “highly knowledgeable” about the relevant circumstances and capable of arriving at fair resolutions consistent with the public interest. The hearing panel also noted the “importance of joint submissions to all participants in the justice system, including the advantage of certainty to the parties, as well as the benefit that joint submissions bring in conserving the resources of the justice system.”<sup>5</sup>

Hearing panels have noted that the settlement process should be “encouraged and supported.” The role of the Hearing Panel is not to second-guess the settlement, recognizing that any settlement is the result of negotiations and compromise between the parties. Settlements provide for more expeditious and less costly resolution of disciplinary proceedings, preserving regulatory resources and offering certainty of outcome for the parties.<sup>6</sup>

[11] This Panel followed the principles set out in paragraphs 4-11 above in determining whether to accept the Settlement Agreement.

[12] The Panel also agrees with the parties that in reaching a resolution, CIRO Enforcement Staff and the Respondent have taken the settlement process seriously and considered the relevant circumstances to arrive at a settlement that is fair and consistent with the public interest. The settlement process required compromise on both sides and a thorough review of the facts of the case.

## **THE SANCTION GUIDELINES**

[13] The CIRO Sanction Guidelines (“Sanction Guidelines”) recognize that the determination of the appropriate sanction in any given case is a fact specific process. The Sanction Guidelines set out general principles that provide a framework that should be considered in connection with the imposition of sanctions as well as the key factors that a hearing panel should consider in determining the appropriate sanctions.

[14] In accordance with the Sanction Guidelines, this Panel determined that the proposed sanctions meet the

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<sup>1</sup> *Re Donnelly* 2016 IIROC 23, para. 5

<sup>2</sup> *Ibid.*, para. 7

<sup>3</sup> [1999] I.D.A.C.D. No. 17, pp. 13-14

<sup>4</sup> 2017 IIROC 04, para. 19

<sup>5</sup> *Ibid.*, para. 17

<sup>6</sup> *Re Melville* 2014 IIROC 51, para. 10

objectives of specific and general deterrence and that they are proportionate to the seriousness of the misconduct, reflecting that the primary purpose of the sanction is prevention rather than punishment. Specific deterrence is satisfied in this case by the quantum of fine and costs, and a six month prohibition of approval in any capacity with CIRO.

[15] This Panel considered the following five key factors outlined in the Sanction Guidelines in determining whether the proposed sanctions are appropriate in this case:

- a. the number, size and character of the transactions at issue;
- b. whether the Respondent engaged in numerous acts and/or a pattern of misconduct;
- c. whether the Respondent engaged in the misconduct over an extended period of time:
  - The admissions in the Settlement Agreement relate to several OBAs involving different organizations. The Respondent founded one of these organizations, Anahit, and many of his co-founders and Anahit shareholders were the Respondent's clients at Gravitass. The OBAs occurred between July 26, 2017 and April 30, 2018.
- d. Whether the misconduct was intentional, willfully blind, or reckless with respect to regulatory requirements:
  - The misconduct in this case was intentional, willfully blind, or reckless. The Respondent failed to disclose or obtain approval from Gravitass for the OBAs referred to in the Settlement Agreement. He failed to disclose his numbered companies, his involvement with private companies, and his involvement with the purchase and sale of a public company.
- e. The Respondent's prior disciplinary history:
  - The Respondent has a disciplinary history. He previously entered a settlement agreement regarding gatekeeper failures (*Re Carrigan and Gold*)<sup>7</sup> in respect of which he agreed to pay a fine of \$50,000 and costs of \$7,500, and to successfully complete the Trader Training Course within 6 months of the approval of the settlement agreement.

## RELEVANT CASES

[16] Numerous cases demonstrate that engaging in OBAs represents serious misconduct and attracts significant sanctions.

[17] The sanctions agreed to in this Settlement Agreement are consistent with settlements involving OBAs, which were referred to and taken into account by the Panel, including *Re Trueman*<sup>8</sup>, *Re MacEachern*<sup>9</sup>, *Re Pariak-Lukic*,<sup>10</sup> *Re Blackmore*,<sup>11</sup> and *Re Laroche*<sup>12</sup>.

## CONCLUSION

[18] The sanctions outlined in the Settlement Agreement are within the reasonable range of appropriateness and achieve specific and general deterrence. It is in the public interest for the Hearing Panel to accept the Settlement Agreement. This Panel, therefore, accepted the Settlement Agreement.

Dated at Toronto this 17<sup>th</sup> day of January 2025.

"Frederick H. Webber"

Frederick H. Webber, Chair

"Paul Bourque"

<sup>7</sup> 2019 IIROC 31

<sup>8</sup> 2016 IIROC 29

<sup>9</sup> 2014 IIROC 37

<sup>10</sup> 2015 ONSEC 18

<sup>11</sup> 2014 IIROC 43

<sup>12</sup> 2012 IIROC 26

Paul Bourque

"Peter Dymott"

Peter Dymott, Member

**IN THE MATTER OF  
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES AND THE DEALER MEMBER RULES  
AND  
DARREN CLAYTON CARRIGAN**

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION**

1. The Canadian Investment Regulatory Organization (“CIRO”)<sup>i</sup> 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 Darren Carrigan (“Carrigan” or 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. Between August 2019 and October 2021, Carrigan engaged in unapproved outside business activities (“OBAs”), contrary to Dealer Member Rule 18.14.
5. Carrigan joined Gravitas Securities Inc. (“Gravitas”), at the time a Dealer Member of IIROC, in August 2019. At that time, he failed to disclose and seek approval for OBAs in which he was involved.
6. Carrigan did not inform Gravitas about his numbered companies, his involvement with private companies, and his involvement with the purchase and sale of a public company.
7. When Carrigan joined Gravitas in August 2019, the only OBA he declared to Gravitas was “Anahit”. The compliance department at Gravitas approved this OBA. However, Carrigan did not disclose and obtain approval from Gravitas to continue other OBAs he was involved in that were subsidiaries of Anahit International Corp. (“Anahit”).
8. Carrigan was a Registered Representative at Gravitas beginning in August 2019 until he resigned on January 11, 2023.

**The Outside Business Activities**

- (i) **Anahit International Corp.**

9. Anahit, which operated in the cannabis industry, was founded in 2017 by Carrigan and two of his associates:
  - SK - Carrigan's client as of 2018, and CEO and director of Anahit.
  - FB.
10. Carrigan's other associates involved in Anahit included the following individuals:
  - MSS - Carrigan's client.
  - DG - an Anahit employee in Jamaica who became Carrigan's client.
  - JG - Carrigan's assistant and client.
11. Carrigan owned founder shares in Anahit in his own name and two of his holding companies, namely 2688449 Ontario Ltd ("2688449 Ltd.") and 2688453 Ontario Ltd ("2688453 Ltd."). Carrigan transferred his shares of Anahit into his account at Gravititas from his account at his former employer Dominick Capital Corporation.
12. Notable shareholders of Anahit who had accounts at Gravititas included Carrigan (5,650,000 shares), SK (4,800,000 shares), MSS (1,200,000 shares), and JG (1,250,000 shares).

**(ii) New Wave Holdings Corp.**

13. On or around April 16, 2020, Carrigan emailed several parties, including founders of Anahit, informing them that Anahit had entered into a letter of intent to be acquired by New Wave Holdings Corp. ("New Wave").
14. Carrigan did not disclose to Gravititas that Anahit was in negotiations and had entered into a letter of intent with New Wave to acquire Anahit.
15. Before the transaction was completed, Carrigan, the numbered companies 2688449 Ltd. and 2688453 Ltd., and JG, agreed to sell and/or transfer shares of Anahit in private transactions.
16. Further, as part of the agreement between Anahit and New Wave, 10581186 Canada Inc. ("10581186 Inc.") was to acquire 450,000 of Carrigan's shares in Anahit. 10581186 Inc. was associated with an individual, DL, an Anahit employee who also became Carrigan's client. In March 2020, DL became a director of Anahit.
17. On or around April 20, 2020, Anahit Therapeutics Limited ("Anahit Therapeutics") was incorporated to facilitate the transaction between Anahit and New Wave. Carrigan, SK, and DL, were appointed as directors of Anahit Therapeutics.
18. As part of the proposed transaction, it was agreed that New Wave would issue shares in three tranches. In the first tranche, New Wave would issue 10,000,000 shares for 50% of Class A shares in Anahit Therapeutics, and 14,500,000 shares for 100% of Class B shares in Anahit Therapeutics. In the second tranche, New Wave would issue 12,800,000 shares for the next 25% of Class A shares in Anahit Therapeutics, and in the third tranche New Wave would issue 16,000,000 shares for the remaining 25% of Class A shares. The third tranche never occurred.
19. On May 5, 2020, New Wave announced an agreement to acquire 50 percent of Anahit Therapeutics' Class A shares and 100 percent of its Class B shares, in exchange for the first tranche of New Wave shares. The press release was silent about the two further proposed tranches, which would result in the acquisition of 100% of the Class A shares of Anahit Therapeutics. At this time, Carrigan did not inform Gravititas about the two further proposed tranches.

20. On May 12, 2020, New Wave issued the first tranche of shares, and on May 19, 2020, Anahit distributed to its shareholders the approximately 10,000,000 shares it received from New Wave.
21. On August 28, 2020, New Wave announced that it had completed a share exchange agreement with Anahit for the next 25% of Anahit Therapeutics, representing the second tranche of New Wave shares. On September 23, 2020, New Wave issued 12,791,667 shares to Anahit to complete the transaction, taking New Wave's ownership of Anahit Therapeutics to 75%. Further, on September 23, 2020, SK and DL ceased to be directors of Anahit Therapeutics. Carrigan stayed on as director of Anahit Therapeutics.
22. On October 2, 2020, Anahit announced it had distributed the New Wave shares to its common shareholders.
23. On August 18, 2020, Carrigan notified Gravitas' compliance department about the second tranche of New Wave shares. The compliance department placed Carrigan on the grey list.
24. On or around November 24, 2020, Carrigan's clients SK and DL sold New Wave shares, approximately 1.35 million and 173,000 respectively, from their Gravitas accounts.

**(iii) CanBud**

25. While working at a Dealer Member in the spring of 2019 before he joined Gravitas, Carrigan invested in private company Cannabis Clonal Corporation ("Cannabis Clonal"), which changed its name to CanBud Distribution Corp. ("CanBud") in September 2019. On October 9, 2020, CanBud commenced trading as a public company (CBDX) on the CSE. On October 14, 2020, Carrigan received 450,000 CanBud shares into his personal account at Gravitas originating from his investment in Cannabis Clonal in 2019, before it became CanBud and before it commenced trading as a public company.
26. In or around November 2020, Carrigan was approached by CanBud regarding a business venture in the Caribbean.
27. Carrigan's Anahit associate and client, MSS, was the CEO and a director of CanBud, and was the founder of Cannabis Clonal.
28. On November 11, 2020, MSS bought 2,865,000 shares in CanBud through Carrigan. MSS' KYC profile was never updated to reflect MSS' status as an officer, director, and insider, of CanBud.
29. When Carrigan joined Gravitas, he did not advise them of his private company 2688453 Ltd.
30. In or around November 18, 2020, Carrigan transferred 75 of his 100 shares of 2688453 Ltd. to four of his clients. These clients included JG who received 13 shares, the spouse of SK, DG, and a numbered company owned by DL.
31. On December 4, 2020, CanBud agreed to purchase 100% of the shares of 2688453 Ltd. On December 7, 2020, a CanBud press release represented this was an arm's-length transaction. However, Carrigan was a shareholder of CanBud before it became a public company. MSS, an Anahit shareholder and Carrigan's client, was the CEO of CanBud.
32. On April 15, 2021, Carrigan received consideration shares from CanBud's purchase of 2688453 Ltd.
33. In or around October 2021, CanBud announced that it would issue 3,040,000 common shares at a deemed price of 5 cents per share for a total price of \$152,000 to cancel the agreement. The CFO of CanBud instructed Carrigan and the other shareholders of 2688453 Ltd. to transfer ownership of 2688453 Ltd. to a third party, FS, in trust, for a total consideration of \$5.00.

34. Carrigan did not disclose to Gravitax any of the above-referenced activity involving 2688453 Ltd. and CanBud.

**(iv) Zenith**

35. In or around October 2020, Carrigan did not inform Gravitax that he was invited by AG to participate in off-market transactions, which were announced by Zenith Exploration Inc. ("Zenith") on October 14, 2020.

36. Carrigan, JG, and Carrigan's client MS, together acquired a controlling interest in Zenith, and MS was appointed as a director and CEO.

37. Carrigan did not inform Gravitax about his involvement with Zenith.

38. On October 27, 2020, it was announced that Carrigan, JG, and MS, were selling their entire shareholding in Zenith in an off-market transaction. Carrigan did not inform Gravitax about this sale.

**Additional Factors**

39. In agreeing to this settlement, Carrigan has saved CIRO the time and expense of a hearing.

40. Carrigan was the subject of an internal investigation at Gravitax in connection with some of the OBAs referred to in this settlement agreement. Gravitax concluded that a warning was appropriate.

**Conclusion**

41. A Registered Representative may only have, and continue in, any business activity outside of the Dealer Member in certain circumstances. In failing to inform or obtain approval from Gravitax, Carrigan engaged in unapproved OBAs.

**PART IV – CONTRAVENTIONS**

42. By engaging in the conduct described above, the Respondent committed the following contraventions of CIRO requirements:

- a. Between August 2019 and October 2021, Carrigan engaged in unapproved OBAs contrary to Dealer Member Rule 18.14.

**PART V – TERMS OF SETTLEMENT**

43. The Respondent agrees to the following sanctions and costs:

- a. Fine in the amount of \$35,000;
- b. Costs in the amount of \$5,000; and
- c. 6-month prohibition of approval in any capacity with CIRO commencing on February 1, 2023.

44. 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 VI – STAFF COMMITMENT**

45. 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.
46. 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 VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT**

47. This Settlement Agreement is conditional on acceptance by the hearing panel.
48. 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.
49. 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.
50. If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules of CIRO and any applicable legislation to any further hearing, appeal and review.
51. 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.
52. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.
53. This Settlement Agreement will become available to the public upon its acceptance by the hearing panel and CIRO will post a 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.
54. If this Settlement Agreement is accepted, the Respondent agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.
55. 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 VIII – EXECUTION OF SETTLEMENT AGREEMENT**

56. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.
57. An electronic copy of any signature will be treated as an original signature.

**DATED** this "22" day of November, 2024.

“Witness” \_\_\_\_\_

Witness

“Darren Clayton Carrigan” \_\_\_\_\_

Respondent

“Joe Kelly” \_\_\_\_\_

Joe Kelly  
Enforcement Counsel on behalf of Enforcement Staff  
of the  
Canadian Investment Regulatory Organization

The Settlement Agreement is hereby accepted this “13” day of “December”, 2024 by the following Hearing panel:

Per: “Fred Webber” \_\_\_\_\_  
Chair

Per: “Paul Bourque” \_\_\_\_\_  
Industry Member

Per: “Peter Dymott” \_\_\_\_\_  
Industry Member

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<sup>i</sup> 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.