



**IN THE MATTER OF
THE MUTUAL FUND DEALER RULES
AND
LOUIS JOSH LIEFF**

NOTICE OF HEARING

A first appearance will be held before a Hearing Panel of the Canadian Investment Regulatory Organization (“CIRO”)¹ pursuant to Mutual Fund Dealer Rule 7.3 to schedule a hearing in the matter of Louis Josh Lieff (the “Respondent”). The first appearance and the hearing will be subject to Mutual Fund Dealer Rule 7, and the Mutual Fund Dealer Rules of Procedure (“Rules of Procedure”), as further referenced below, that govern the conduct of enforcement proceedings.

The first appearance will be held by way of videoconference on Tuesday, March 04, 2025 at 10:00 a.m. ET

The purpose of the hearing will be to determine whether the Respondent has contravened CIRO requirements. A summary of the facts alleged and intended to be relied upon by CIRO, the conclusions drawn by CIRO based on the alleged facts, and alleged contraventions are contained in the Statement of Allegations attached to this Notice of Hearing.

If the Hearing Panel finds that the Respondent has contravened CIRO requirements as alleged in the Statement of Allegations, the Hearing Panel may impose one or more of the following sanctions pursuant to Mutual Fund Dealer Rule 7.4.1.1:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000 for each 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; and
- (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel.

In addition, pursuant to Mutual Fund Dealer Rule 7.4.2, a Hearing Panel may require the Respondent to pay any costs incurred by or on behalf of CIRO in connection with the proceeding and any investigation related to the proceeding.

The Respondent must serve on Enforcement Staff a Reply to this Notice of Hearing in accordance with Rule of Procedure 8 and Mutual Fund Dealer Rule 7.3.2 within 20 days from the effective date of service of this Notice of Hearing. The Respondent must also file the Reply at the Hearing Office in accordance with Rule of Procedure 4.6.

The Reply may either:

- (a) 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 Statement of Allegations; or
- (b) admit the facts alleged and conclusions drawn by CIRO in the Statement of Allegations and plead circumstances in mitigation of any penalty to be assessed.

Pursuant to Mutual Fund Dealer Rule 7.3.3 and Rule of Procedure 8.3, the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by CIRO in the Statement of Allegations that the Respondent does not specifically deny in the Reply.

Pursuant to Mutual Fund Dealer Rule 7.3.4 and Rules of Procedure 7.3 and 8.4, if the Respondent fails to:

- (a) 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, among other things, proceed with the hearing on the date and at the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without further notice to and in the absence of the Respondent, and the Hearing Panel may accept as proven the facts, conclusions, and contraventions alleged in the Statement of Allegations, and may impose sanctions and costs.

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, to present evidence, and to make submissions to the Hearing Panel at the hearing.

DATED January 17, 2025.

“National Hearing Officer”
NATIONAL HEARING OFFICER
Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, Ontario, M5H 0B4

¹ Where the rules, by-laws, and policies of the Mutual Fund Dealers Association of Canada (the “MFDA”) that were in force immediately prior to amalgamation of the Investment Industry Regulatory Organization of Canada and the MFDA have been incorporated into the Mutual Fund Dealer Rules, Enforcement Staff have referenced the relevant section of the Mutual Fund Dealer Rules.



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STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated January 17, 2025, Enforcement Staff make the following allegations:

PART I – REQUIREMENTS CONTRAVENED

Contravention 1: Between January 2021 and August 2021, the Respondent engaged in securities related business outside the Dealer Member by recommending, selling, or facilitating investments in the purchase and resale of used vehicles, contrary to Mutual Fund Dealer Rule 1.1.1.

Contravention 2: Between January 2021 and August 2021, the Respondent engaged in unapproved outside activities in relation to facilitating investments in the purchase and resale of used vehicles, contrary to Mutual Fund Dealer Rule 1.3.

PART II – RELEVANT FACTS AND CONCLUSIONS

Overview

1. Between January 2021 and August 2021, the Respondent recommended, sold, or facilitated investments outside the Dealer Member in the purchase and resale of used vehicles. Investors would provide short-term loans to a third-party business for the purchase of used vehicles and receive an agreed upon return upon the sale of the vehicle. Unbeknown to the Dealer Member and without its approval, the Respondent, among other things, introduced the opportunity to investors, provided information to investors, and transferred money to and from the investors and the third-party business. The Respondent

earned a profit based on the difference between the rate of return he would receive from the third-party business and what he promised to investors. The Respondent conducted these activities both solely on his own behalf and on behalf of a business he established with two other individuals.

2. In total, the Respondent recommended, sold, or facilitated investments by approximately 50 individuals, who collectively invested approximately \$21.5 million. The Respondent received approximately \$670,468 in commissions from his activities.

3. In or about August 2021, the third party business ceased making payments to investors. Collectively, the investors suffered losses of approximately \$9.8 million.

Registration History

4. Between April 8, 2014 and January 10, 2022, the Respondent was registered in Ontario as a dealing representative with Quadrus Investment Services Ltd. (the “**Dealer Member**”), a Dealer Member of CIRO (formerly a Member of the MFDA).

5. On January 10, 2022, the Respondent resigned from the Dealer Member, and is currently not registered in the securities industry in any capacity.

6. At all material times, the Respondent conducted business in the Concord, Ontario area.

Contravention 1 - Securities Related Business Outside of the Member

7. At all material times, the Dealer Member’s policies and procedures prohibited its Approved Persons from selling or advising on securities through any entity other than the Dealer Member.

8. In or about September or October 2020, the Respondent was introduced to an investment opportunity with a business involved in the purchase and resale of used vehicles. The Respondent was told that MC, the operator of the business, could acquire used vehicles at prices below market value from vehicle rental companies, and resell these

vehicles at higher prices (the “**MC Vehicle Business**”). MC was seeking short-term loans to finance the purchase of the used vehicles, which MC would repay with a promised rate of return upon the resale of the used vehicles.

9. In January 2021, the Respondent made an investment by providing a short-term loan to the MC Vehicle Business and received the promised return. Shortly thereafter, the Respondent conceived of a business involving approaching other potential investors to provide the short-term loans to the MC Vehicle Business, and by facilitating the short-term loans generating a commission for himself.

10. Accordingly, the Respondent commenced introducing the investment opportunity in the MC Vehicle Business to potential investors and facilitating the short-term loans between the Lenders and the MC Vehicle Business. The Respondent earned a commission based on the difference between the rate of return promised by the MC Vehicle Business and that promised by the Respondent to the Lenders. In April 2021, the Respondent incorporated two companies through which to carry on his activities.

11. Also in April 2021, the Respondent and two other individuals incorporated a company, MJM Capital Group Ltd. (“**MJM**”). With MJM, the other two individuals attracted investors, while the Respondent acted as a liaison between MJM and the MC Vehicle Business, handling information regarding the available cars, their pricing, profits, and timelines and transferring money from the investors to the MC Vehicle Business. The Respondent was entitled to one-third of MJM’s commissions, which were generated in the same manner as the Respondent’s own business described above.

12. Between January and August 2021, the Respondent, whether on behalf of himself, his corporation described at paragraph 9, or MJM, recommended, sold, or facilitated the investment of approximately \$21.5 million in the MC Vehicle Business from approximately 50 investors.

13. The Respondent engaged in one or more of the following activities with respect to the 50 investors in the MC Vehicle Business:

- (a) introduced the investment opportunity;
- (b) discussed the terms of the investment opportunity with the investors;
- (c) recommended investing in the MC Vehicle Business;
- (d) facilitated loan agreements between the MC Vehicle Business and investors;
- (e) entered into loan agreements with or provided promissory notes to investors;
- (f) collected cheques and monies from investors and passed it to the MC Vehicle Business;
- (g) provided information from MC concerning the vehicles being purchased to the investors; or
- (h) facilitated the return of profits back to investors.

14. By facilitating investments in the MC Vehicle Business, the Respondent or MJM, as the case may be, were able to generate a profit from the difference between the rate of return promised by the MC Vehicle Business and that promised by the Respondent or MJM to the investors.

15. The Respondent earned commissions of approximately \$2 million. The Respondent, however, frequently reinvested these commissions into the MC Vehicle Business. The Respondent received approximately \$670,468, which he received either in cash or in-kind, by having the MC Vehicle Business purchase an item for the Respondent, such as an expensive luxury vehicle.

16. In or about August 2021, the MC Vehicle Business stopped making payments to investors. The 50 investors collectively suffered losses of approximately \$9.8 million.

17. None of the investments in the MC Vehicle Business, or any of the commissions the Respondent earned or received as described above, were carried on for the account of the Dealer Member or processed through its facilities.

18. By virtue of the foregoing, the Respondent engaged in securities related business outside the Dealer Member, contrary to MFDA Rule 1.1.1.

Contravention 2 – Engaging in Unapproved Outside Activities

19. At all material times, the Dealer Member’s policies and procedures prohibited its Approved Persons from engaging in any outside business activities without disclosing and obtaining approval from the Dealer Member before engaging in such activities.

20. To the extent the conduct described above did not constitute securities related business, the Respondent engaged in unapproved outside activities. The Respondent failed to disclose to the Dealer Member that the Respondent was engaging in any activities, whether personally, through his corporations, or through MJM, with respect to facilitating investments in the MC Vehicle Business. The Dealer Member did not provide its approval to the Respondent to facilitate investments in the MC Vehicle Business or engage in any of the activities described above.

21. By virtue of the foregoing, the Respondent engaged in unapproved outside activities, contrary to Mutual Fund Dealer Rule 1.3.

DATED at Toronto, Ontario this 17th day of January 2025.