Re Alteon

IN THE MATTER OF:

The Mutual Fund Dealer Rules

and

Sandly Alteon

2025 CIRO 10

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: July 9, October 17 and 18, November 7 and 8, December 10, 2024,
via electronic hearing in Toronto, Ontario
Decision and Reasons (Misconduct): February 7, 2025

Hearing Panel:
The Honourable Susan Lang, Chair
Joe Yassi, Industry Representative
Edward Jackson, Industry Representative

Appearances:
Alan Melamud, Senior Enforcement Counsel
Bruce Taub, Counsel for Sandly Alteon
Sandly Alteon, Respondent (Present)

DECISION ON THE MERITS AND REASONS

INTRODUCTION

[1] CIRO brought these proceedings against Sandly Alteon **(the Respondent or Approved Person**) based on three allegations. First, Enforcement Staff of CIRO (**Staff**) alleges that the Respondent put herself in a conflict or a potential conflict of interest that she failed to disclose and address with her Dealer Member; second, the Respondent is alleged to have engaged in outside business activities that she did not first disclose and seek prior approval for from her Dealer Member; and third, the Respondent is alleged to have failed to cooperate in the latter part of CIRO's lengthy investigation.

[2] After hearing evidence and argument, we conclude that CIRO has established the allegations against the Respondent. What follows are the reasons for our decision.

PRELIMINARY MATTERS

[3] We ordered all witnesses excluded from the hearing prior to testifying, other than the Respondent and the CIRO Investigator.

BACKGROUND

The Quebec Investigation

[4] The Autorité des Marchés Financiers (**AMF**) began proceedings against the Respondent arising from her dealings with her Quebec clients and suspended the Respondent's registration in December 2020. The AMF proceedings are ongoing and are not relevant to the proceeding before this Panel. CIRO's 2021 investigation into the Respondent's conduct involved her only three clients in Ontario. The Ontario investigation culminated in the allegations that are the subject of this proceeding. Those allegations involved only one of the Ontario clients, FM, and he testified on behalf of the Respondent.

Procedural History

[5] The procedural history of this matter will provide context to the ongoing exchanges between Staff and the Respondent and the fairness of the hearing, as well as the issue of the Respondent's cooperation.

[6] CIRO's investigation began in early 2021 and the Respondent cooperated, including by participating in a 2022 interview. The Notice of Hearing in this matter was dated November 24, 2023. After a first appearance on February 5, 2024, and an appearance again on February 20, a schedule was set for a March 2024 delivery of the Respondent's Reply, as well as her accompanying witness list and evidentiary summaries. The hearing was scheduled for July 9 and 10, 2024.

[7] On July 9, the Panel first learned that the Respondent had not complied with the schedule and was seeking a further adjournment. At that appearance, her new counsel, Mr. Taub, appeared for her. Mr. Taub undertook to meet new deadlines, including filing the Reply and accompanying materials by July 26, with a hearing set for October 17 and 18, 2024.

[8] On October 17, the Respondent asked for a further adjournment initially based on the Quebec proceedings but abandoned that ground and requested an adjournment based on the inability of her crucial witness, FM, to appear. The Panel was told that the witness would be available in November. The Reply had still not been filed. Staff argued against an adjournment. After hearing further argument, the Panel ordered that Staff could begin with its case on October 18. However, the Respondent was given until October 24 to deliver her Reply. Thereafter, the hearing would continue November 7 and 8 with the completion of Staff's case and presentation of the Respondent's case. Although there were further difficulties with the adequacy of the Reply and the summaries of evidence, the hearing proceeded as re-scheduled. This was followed by oral and written submissions and a final virtual hearing on December 10, 2024.

[9] Nineteen days after the final hearing, on December 29, 2024, the Respondent filed further written submissions. To the extent those submissions emphasize the absence of any misappropriation, Staff provided some authorities to the contrary. The absence of misappropriation does not exculpate the Respondent from other breaches of the Rules or policies. To the extent the further submissions reiterate the Respondent's position that she was not working in mutual funds at the relevant time, that point was already made in earlier argument. In the result, we do not take the Respondent's late submissions into account as they would not affect the outcome at this stage of the proceeding, and it would be unfair to do so without giving Staff the opportunity to further respond.

Respondent's Registration History

[10] Ms. Alteon first registered in the securities industry on September 2, 2015. Two years later, in mid-2017, she registered to trade mutual funds with SFL Investments or Desjardins Financial Security Investments Inc. (**DFSI**), (her Dealer Member). She also signed a separate contract to sell life and health insurance products through DFSI's insurance affiliate and, after an application in 2020, through Alteon Financial Services Inc. (**AFS**). In these reasons, we refer to the mutual fund and insurance branches collectively as DFS and the mutual fund branch as DFSI. The mutual fund business was subject to regulation by CIRO. The insurance business was not.

[11] The Respondent joined DFS in 2017 with a substantial book of insurance and a much smaller mutual fund book in the range of $1M, more or less. A few months later, the Respondent claimed she was unhappy with DFS regarding her compensation. She decided to focus on her insurance business. The following April, she

contracted as a licensed life insurance agent with another managing general insurance agent M.S.A. Financial. Her mutual fund business remained with DFSI.

[12] In the meantime, however, the Respondent continued to service her existing mutual fund clients as she testified, she was required to do by DFSI. In December 2020, DFSI terminated the Respondent after it learned that she had been suspended by AMF. The Respondent has not been registered or worked in the securities industry since then.

Was the Respondent registered with DFSI throughout the relevant time?

[13] Regarding the conflict of interest and OBA allegations, the Respondent's primary position, reflected in her testimony, is that she resigned from DFSI later in 2017, or quit, or took a leave, or at least was inactive in the mutual fund sector from that time. She testified that she left because she felt uncomfortable, and she was being unfairly treated in her compensation. She testified that she did not return to DFSI until at least June or July 2020. Accordingly, she argued, during this period she was not subject to the supervision of DFSI or the applicable Rules. In her evidence, the Respondent testified that she orally told Alain Legault, her supervisor at the branch, of her resignation from DFSI in October and November of 2017. She had not taken this position in her Reply or provided this information in her summary of anticipated evidence. In addition, the Respondent gave this evidence only after her counsel called Mr. Legault as a witness. When counsel examined Mr. Legault in chief, he did not ask him a single question to support the Respondent's position. By calling Mr. Legault before the Respondent testified about her purported resignation, and not putting this to him, the Respondent deprived Staff of the opportunity to cross-examine him on this pivotal issue. As a result, an adverse inference is drawn affecting the weight to be given to the Respondent's evidence on this critical point.

[14] On all the evidence, we conclude that the Respondent's assertion of resignation, or leave at the relevant time, is unsupported. Indeed, even on her own evidence, the Respondent continued to service all her clients at DFSI "if they needed anything". DFSI produced documentary evidence to establish the Respondent's continuing activity. The Respondent continued to work on her DFSI mutual fund business as a registrant by completing and signing forms under her code number, passing on trade requests for processing and opening new accounts, including completing Know-Your-Client forms. Between 2018 and 2020, the Respondent opened 20 accounts, primarily new types of accounts for existing clients as well as for FM's corporation in May 2020. DFSI compensated the Respondent by crediting the Respondent with trailing fees with respect to her mutual fund accounts. Her earnings from commissions at DFSI were in the approximate range of $7,000 annually for each of 2018, 2019 and 2020. She also remained registered throughout on the National Registration Database.

[15] The Respondent testified that she was initially unaware that DFS was holding her mutual fund trailer fees to pay for costs of its annual (automatic) renewal of her mutual fund registration ($800 licence fee), the costs of her annual errors and omissions insurance premiums, and as a potential offset for any of her insurance business that might lapse and create a chargeback against her insurance account.

[16] The Respondent cancelled her errors and omissions coverage in April 2019, retroactive to December 2018. She said she did so when she first learned coverage was continuing and presented this cancellation as evidence that she was no longer working with DFSI.

[17] The Panel does not accept that the Respondent's 2019 cancellation of her DFSI "Financial Securities Advisors'" errors and omissions coverage supports a finding of an earlier severance from DFSI. Her cancellation of the policy did not change the Respondent's status as a mutual fund registrant at DFSI. The Respondent failed to establish that she ever provided appropriate notice of her purported resignation to DFSI. She continued to be registered on the National Registration Database and to be active as a mutual funds advisor, albeit on a limited basis and she did not provide evidence that she took any steps to terminate her contract with DFSI.

[18] We are not persuaded to a different result by the Respondent's position that she "returned" to DFSI only in June 2020. In fact, she continued at DFSI. While the Respondent executed a Self-Employed Representative Distribution Contract in 2020, it only enabled her to pursue her insurance business through one of her companies

and had nothing to do with her ongoing mutual fund registration with DFSI, which was not a party to that contract. Her existing contract with DFSI remained in effect throughout.

[19] Accordingly, we conclude the Respondent remained a mutual fund registrant at DFSI throughout the relevant period and continued to be bound to comply with the Dealer Member's policies and the regulator's Rules.

Ms. Alteon's corporations

[20] Ms. Alteon's corporations are part of the factual background and relevant to the first two allegations. When Ms. Alteon began with DFS in 2017, she operated solely in her own name. However, after 2017, she incorporated the following companies that became active for the described purposes at different times:

1) A numbered company incorporated in November 2018. This company carried on a consulting business under the name of Alteon Wealth Management. It also later operated as Alteon Financial Services in 2020 for the Respondent's life insurance business at DFS;

2) Vasan & Savyan Asset Management Inc. (Vasan), incorporated in May 2019 for the purpose of activity as a real estate holding company. In March 2020, the company joined in a real estate investment;

3) Alteon & Ingrassia Real Estate Inc. (Ingrassia), which was incorporated in December 2019 as a property management corporation to purchase/hold/support real estate. This company also collected fees for services;

4) Alteon Group Inc., incorporated in September 2020 to obtain property. The Respondent testified that this company or Ingrassia had been considering a business venture to buy a building or a franchise.

The burden of proof

[21] During the hearing and in submissions, counsel for the Respondent argued that Staff bore or ought to bear the burden of proving its case beyond a reasonable doubt. In support, the Respondent's counsel argued that the allegations against the Respondent were penal or quasi-criminal in nature. We do not accept this argument. The standard of proof in administrative proceedings, such as those instituted pursuant to the then applicable MFDA By-law No. 1, sections 20 and 24, (now Mutual Fund Dealer (MFD) Rules 7.3 and 7.4) is the civil standard of balance of probabilities. See *Vendrov (Re)*, 2019 LNCMFDA 121 at para. 16.

[22] We turn to the specifics of the allegations against the Respondent.

ANALYSIS

Allegation one: conflict of interest

[23] It is common ground that the Respondent had an obligation to identify and disclose actual or potential conflicts to her Dealer Member in accordance with the then existing Rules and the Dealer Member's policies and procedures. An Approved Person had and has an obligation to be familiar with and abide by those policies and Rules. See *Botha (Re)* 2021 LNABASC 3 at paras. 147-155.

[24] In the Notice of Hearing, Staff rely on Mutual Fund Dealer Rules 2.1.4(2) [identify, address and disclose conflicts of interest], 2.1.1 [general standard of ethical conduct], and 1.1.2(b) (as it relates to Mutual Fund Dealer Rule 2.5.1). The Rules applicable at the time were the former MFDA Rules 2.1.4, 2.1.1, 1.1.2, and 2.5.1. Specifically, MFDA Rule 2.1.4 obliges an Approved Person and Members to do the following in the face of a conflict of interest:

> **2.1.4 Conflicts of Interest**

a) Each Member and Approved Person shall be aware of the possibility of conflicts of interest arising between the interests of the Member or Approved Person and the interests of the client. Where an Approved Person becomes aware of any conflict or potential conflict of interest, the Approved Person shall immediately disclose such conflict or potential conflict of interest to the Member.
b) In the event that such a conflict or potential conflict of interest arises, the Member and the Approved Person shall ensure that it is addressed by the exercise of responsible business judgment influenced only by the best interests of the client and in compliance with Rules 2.1.4(c) and (d).
c) Any conflict or potential conflict of interest that arises as referred to in Rule 2.1.4(a) shall be immediately disclosed in writing to the client by the Member, or by the Approved Person as the Member directs, prior to the Member or Approved Person proceeding with the proposed transaction giving rise to the conflict or potential conflict of interest.
d) Each Member shall develop and maintain written policies and procedures to ensure compliance with Rules 2.1.4(a), (b) and (c).

[25] Thus, the applicable MFDA Rule 2.1.4 requires an Approved Person to identify potential conflicts with the client, immediately report such conflicts to the Member, and address them influenced only by the client's best interests.

[26] In argument, Staff alleges that, by purchasing mutual funds for a corporation whose sole shareholder and director was personally indebted to her, the Respondent put herself in a conflict or potential conflict of interest that she neither disclosed to DFSI nor otherwise addressed. For this argument, CIRO turns to its position that FM was indebted to the Respondent and points to the DFSI policy, which prohibited Approved Persons from directly or indirectly entering into a lending arrangement with a client[1].

[27] Since the allegation in this case is premised on the fact of the client's alleged indebtedness to the Respondent, an initial question is whether there was an enforceable loan extant. The argument initially centred on a "lending arrangement" between the Respondent and her friend and client FM. However, the evidence was clear that the initial loan was between Ms. Alteon and FM's father. FM, who was a teenager when he first met the Respondent, was not a party to the loan. FM only learned about it from his father, shortly before the father's 2015 death in an accident. The loan had accumulated over several years as the Respondent or the Alteon family lent varying amounts to FM's father to meet that family's needs over a long period of time. The father's estate repaid about $6,000 of the outstanding loan but did not have the funds to repay the balance.

[28] FM testified that he felt morally obliged to repay the balance of the loan when he could and undertook to do so at an agreed-upon figure with the Respondent of $65,000. This 2015 agreement took place two years before the Respondent registered with DFSI. There was no formal documentation of this agreement. However, FM wrote a note during the Quebec investigation, which was produced to CIRO. In that note, FM described his obligation as one "to pay her back" for "some money" she lent him in the past. While the evidence at the hearing disclosed no evidence of a legal obligation to pay his father's loan, FM did feel a moral obligation and made an oral agreement to pay.

[29] During the five years after FM orally assumed responsibility for repayment of the loan, he was not in a financial position to do so. The Respondent understood and did not press him for payment. The two continued as family friends.

[30] In 2019, the Respondent testified that FM consulted her on growing his subcontracting business through the vehicle of his company, 1094562 Canada Inc. (**562**). Ms. Alteon said she had no affiliation with DFSI at that point. In May 2020, Ms. Alteon opened the non-registered account for 562, of which FM was the sole

[1] While the Respondent initially claimed difficulty in obtaining the DFSI policies when she first started, she did have them early on and at the relevant times. They were also available to her through the DFSI intranet portal in both English and French. There was an obligation on the Respondent to be familiar with those policies.

shareholder and director. The purpose of the account was to grow money for his business. At no time did they have any discussion about the repayment of his father's indebtedness.

[31] In May and June, pursuant to FM's instructions, Ms. Alteon purchased mutual funds on behalf of 562 in a total amount of $55,000. Both the Respondent and FM testified that at the time of the investments in June 2020, there was no intention on either side to apply the eventual proceeds towards payment of the loan. FM specifically testified that Ms. Alteon put no pressure on him to repay the loan at any point before or during the relevant times. On the other hand, there was also no suggestion that Ms. Alteon had "forgiven" FM's assumption of the indebtedness.

[32] In July 2020, after the monies had been invested, Ms. Alteon completed her Dealer Member's annual compliance questionnaire in which she confirmed her understanding that she was prohibited from lending money to a client. The questionnaire also asked whether she was disclosing any actual or potential conflicts of interest. She responded, "not applicable".

[33] In August and November 2020, again on FM's instructions, Ms. Alteon processed two redemptions of mutual funds resulting in total net proceeds of $65,000 ($45,000 in August and $20,000 in November). Ms. Alteon disbursed these amounts to 562 in two tranches[2].

[34] After the first redemption and payment to 562, for the first time FM told Ms. Alteon that he wanted to repay his father's debt from the investment proceeds. He testified that he made that decision "at the last minute". He asked Ms. Alteon for her banking details. In accordance with the information she provided, FM caused 562 to wire an amount equal to the August redemption to one of Ms. Alteon's companies, Vasan. FM did not tell the Respondent that he intended to use the next redemption to complete payment of the remaining balance of the indebtedness. However, when the November redemption proceeds were paid to 562's account, FM caused 562 to send an equal amount from that account to Vasan.

[35] There is no evidence to contradict FM's evidence that all this was voluntary on his part. As soon as FM asked the Respondent how to direct his first payment to her account, the Respondent knew or ought to have known that she was in a position of at least a potential conflict of interest. At that point, in August 2020, the Respondent was obliged to disclose that conflict to DFSI and was obliged to do so again when FM indicated that the proceeds of the next redemption would go from his corporate account to her corporate account.

[36] Although there was no evidence of nefarious conduct; in dealing with FM and the balance of his investment, the Respondent may well have pursued or been perceived to pursue her own interest in being repaid to the disadvantage of the client. When FM told the Respondent that he wanted to repay the loan, the Respondent's obligation to report a potential conflict was triggered. While she did not do so, there is also no evidence that she acted to her advantage or to FM's detriment.

[37] Since we conclude that a conflict or potential conflict arose both in August and in November, it is unnecessary for us to decide whether the circumstances of the pre-existing moral obligation also created a conflict.

Allegation two: unapproved outside activities

[38] The Respondent is alleged to have failed to disclose several Outside Business Activities (OBAs) between November 2018 and December 2020. The Panel concludes that this allegation is established on a balance of probabilities.

[39] While the Respondent defended this allegation on the primary ground that she was no longer registered with DFSI, and therefore, not subject to its supervision, we concluded above that, since she remained registered with DFSI throughout, this defence is not available to her.

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[2] After those disbursements, at December 2020, a balance of $1,023.10 remained in the account.

[40] The applicable Rules required an Approved Person to obtain approval for OBAs. Specifically, Staff alleges that between November 2018 (when she incorporated her first company) and December 2020 (when she accepted funds from 562), the Respondent engaged in undisclosed OBAs. The applicable rules at the time were MFDA Rules 1.3.2, 2.1.1, and 1.1.2 (now MFD Rules 1.3.2 (requirements of outside activity); 1.1.2(b) (modified) (compliance by Approved Persons); 2.1.1 (general standard of conduct, including not engaging in any business "unbecoming" in any way and in dealing fairly with its clients)).

[41] Rule 1.3.1 defines an "outside activity" as "any activity conducted by [the Respondent] outside [DFSI]:

a) for which, direct or indirect payment, compensation, consideration, or other benefit is received or expected;

b) involving any officer or director position, and any other equivalent position; or

c) involving any position of influence."

[42] In this case, the Dealer Member's policies, with which the Respondent was or should have been conversant, required her to disclose "all activities outside the sale of mutual funds", not only when she first registered, but also if she wished to "engage in any previously undisclosed OBA". Specifically, the policy specified:

> Should the advisor wish to engage in any previously undisclosed OBA after the initial submission, then he is required to complete a new OBA form and send it to the branch manager and ultimately compliance for final review and approval. Annually, as a courtesy reminder, DFS Investments will ask advisors to confirm that their OBA status has not changed; however, this reminder does not replace the advisor obligation to advise and obtain consent of the dealer, prior to engaging in any new OBA.

[43] These obligations require an Approved Person to make and update their disclosure of OBAs. In this way, the Approved Person will "share the responsibility of ensuring that obligations set out in the MFDA rules are followed and must do their part to support the Member's obligations to be compliant with its regulatory obligations." *Frank (Re)*, 2015 LNDMFDA 75 at para. 57. Rule 1.1.2 also mandates compliance with those policies. A failure to do so undermines the "Member's ability to supervise the conduct of such Approved Persons and protect the interests of clients and the public": *Franco (Re)*, 2011 LNCMFDA 55 at para. 38.

[44] Once an Approved Person reports such activities, the Dealer Member can then fulfil its own supervisory obligations under the Rules by conducting a careful review to determine whether it should give its approval to the OBA and on what terms.

[45] In May and November 2017, the Respondent completed questionnaires representing to DFSI that she was "not engaged in any other occupation". Between 2017 and 2022, the only OBA she disclosed was her insurance business through AFS (which began in June 2020), and for which she received approval. As late as July 2020, the Respondent completed a form saying she did not want to add or remove any outside activity.

[46] The Respondent did not disclose her consulting work as an OBA. In 2019, including her $7,000 invoice to FM for such work, the Respondent invoiced customers $27,600 for consulting services. This work was indisputably an OBA that the Respondent failed to report to DFSI.

[47] In March 2020, the Respondent's company Vasan entered into a joint real estate investment with another individual. In April 2020, Ingrassia entered into an agreement to collect fees for services performed in 2019. In July and September 2020, Vasan collected monies from several individuals to purchase property or acquire a Tim Horton's franchise. These are all undisclosed OBAs.

[48] In August and November 2020, Vasan received the proceeds from the FM "loan" repayments. This was a direct or indirect benefit to her from her mutual fund client, and consequently, an activity that she was obliged to report. In total, the Respondent failed to disclose outside business activities in at least three of her four

corporations, of which she was a sole director or one of only two directors.

[49] The Respondent argues, that since much of her outside work was not related to her work as a financial adviser, it was unnecessary for her to report these activities. This limitation on an Approved Person's obligation to report is not supported and not accepted by this Panel. There is no basis for any such limitation, and it is clearly at odds with the MFDA definition of OBAs in Rule 1.3.1 and the requirements for OBAs in Rule 1.3.2 (now MFD Rules 1.3.1 and 1.3.2).

Allegation three: failure to cooperate

[50] Initially, the Respondent cooperated with the CIRO investigator by providing various notes and explanations and by participating in a lengthy interview on June 9, 2022. However, her cooperation did not continue and was not complete. For the reasons that follow, we conclude that the Respondent later failed to cooperate with the CIRO investigation in two specific ways and was in breach of her obligation to do so in those two respects.

[51] Staff's argument is based on the then applicable section 22.1 of the MFDA By-law No. 1 (now MFD Rule 6.2.1). That Rule provides, for the purpose of an examination or investigation, that CIRO may require an Approved Person to produce for inspection "records in the possession or control of the ... Approved Person ... that the Corporation believes may be relevant" (ss. b); to provide copies of such records (ss. c) and to answer such questions as the Corporation determines (ss. d) and (ss. e). As well, the requirement is for complete and ongoing cooperation. Such cooperation includes providing details and surrounding circumstances and related documentation: *Chapman (Re)*, 2020 LNCMFDA 118. Given this regulatory framework, we do not accept the argument of the Respondent's counsel that a Respondent has a right to maintain silence.

[52] The Rule specifically provides that a Respondent is obliged "to cooperate in the examination or investigation". See the Divisional Court decision in *Artinian v. College of Physicians and Surgeons of Ontario*, (1990), 73 O.R. (2d) 704 at para. 9. This obligation is particularly important for a mutual funds' regulator such as CIRO (or its predecessor), which lacks the power to search and seize or compel production from a registrant. Indeed, the requirement for an Approved Person's cooperation is "a cornerstone of the regulatory" scheme. Approved Persons are presumed to know about this obligation and to have accepted the terms when they register, in return for the benefits of participation in the market. See: *Basset (Re)*, [2005] I.D.A.C.D. No. 26 at para. 26; *Robb (Re)*, [2002] I.D.A.C.D. No. 1 at paras. 13-16 and *Botha (Re)*, *supra*, at paras. 147-155.

[53] During her June 2022 four-hour interview, the Respondent was asked about the particulars of her dealings with FM, including her consulting work for his company and his assumption of indebtedness to her. She answered the questions asked and provided significant particulars. She also cooperatively responded that she had no documentation about the 2015 $65,000 indebtedness "assumed" by FM.

[54] As well, she was asked about her corporate tax filings for 2019 for her consulting corporation. While CIRO considered the Respondent to have given an undertaking to produce the 2019 return, such an undertaking was not clear on the transcript. Nonetheless, the Respondent was obligated to cooperate and eventually acknowledged her subsequent undertaking in her submissions. In argument, she simply relied on her counsel's advice that production was unnecessary because the documents at issue were irrelevant.

[55] Within days of the interview, the investigator wrote seeking more information, including a request for dates of "loan payments" to FM's father, which must have been a bit of a confusing question both in terms of the way it was phrased and in light of her response that she had no documents. The investigator went on to ask where the Respondent obtained the money to advance the loan and specifically from which bank account number. He asked for a copy of a bank statement for each "loan payment" to the M family. These follow-up questions did not appear to consider the information she already gave at the interview. The correspondence also asked for a copy of the $7,000 invoice to 562, whether HST had been paid on the invoice and the 2019 tax filing for AFS. The investigator sent a follow-up email with the same questions during July and again in August 2022. In response, her counsel undertook to provide the 2019 return when available and advised that no

HST/GST was charged, since the business did not earn more than $30,000.

[56] In September 2022, the Respondent's counsel replied that the questions had been answered at the interview. Multiple emails followed about production of more documentary information. In December 2022, a transcript of her interview was finally provided to Ms. Alteon, which contained some errors. She was provided with a corrected copy and an audio tape of the interview in March 2023. It is after that date, that CIRO takes issue with the Respondent's cooperation.

[57] In April 2023, the investigator informed the Respondent's then counsel that a Notice of Hearing may be issued against Ms. Alteon. Counsel responded with the Respondent's position that DFSI had renewed her registration without her consent, that she was unaware of her disclosure obligations and that she had answered all the questions put to her. He also queried the relevance of the questions posed.

[58] In May 2023, Enforcement Counsel again wrote to the Respondent's counsel with its perspective that Ms. Alteon's answers were not responsive, and that the documents requested were relevant. On June 1, 2023, the Respondent's then counsel wrote that there would be a response within 30 days. Nothing further was heard, and CIRO issued its Notice of Hearing, including this allegation of failure to cooperate, in November 2023.

[59] In the end, in her submissions, the Respondent admitted that she had not produced certain requested documents. She explained that her refusals were based on the advice given by her then counsel. Even if the Respondent was entitled to rely on such a defence, she did not offer any such testimony at the hearing before the Panel. Had she done so, Enforcement Counsel would have had the opportunity to question her about this and potentially her then counsel.

[60] The Respondent also explained that the allegations against her, including being accused of theft in the AFM proceeding, "broke" her and her distress explained her delay in responding. Indeed, she testified that she was hospitalized in 2021 during her pregnancy and pointed out that she had submitted to a four-hour interview with CIRO, two months after giving birth.

[61] We are not persuaded that the Respondent failed to cooperate with the follow-up questions about the "loan". Documentation was clearly not available to her many years after the fact. However, we do conclude that the Respondent did not comply with CIRO's request for her to provide copies of the 2019 tax return and the 2019 consultancy invoice, both of which were in her control. While this limited non-cooperation may have been minor in nature and in consequence, and that may be relevant to sanctions, it supports the allegation of non-cooperation.

CONCLUSION

[61] We conclude that the three allegations have been established on a balance of probabilities. The matter must now proceed to the sanctions stage. Counsel will confer with respect to such a hearing. If necessary, this panel can make an appropriate procedural order.

Dated at Toronto, Ontario this 7th day of February 2025.

"Susan Lang"

The Honourable Susan Lang, Chair

"Joe Yassi"

Joe Yassi, Industry Representative

"Edward Jackson"

Edward Jackson, Industry Representative