



**IN THE MATTER OF  
THE MUTUAL FUND DEALER RULES  
AND  
CALOGERO (CHARLIE) ALAIMO**

**NOTICE OF HEARING**

A first appearance will be held before a Hearing Panel of the Canadian Investment Regulatory Organization (“CIRO”)<sup>1</sup> pursuant to Mutual Fund Dealer Rule 7.3 to schedule a hearing in the matter of Calogero (Charlies) Alaimo (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 Wednesday, April 02, 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 this 29<sup>th</sup> day of January 2025.**

**“National Hearing Officer”**

NATIONAL HEARING OFFICER  
Canadian Investment Regulatory Organization  
40 Temperance Street, Suite 2600  
Toronto, Ontario, M5H 0B4

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<sup>1</sup> 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.



**IN THE MATTER OF  
THE MUTUAL FUND DEALER RULES  
AND  
CALOGERO (CHARLIE) ALAIMO  
STATEMENT OF ALLEGATIONS**

Further to a Notice of Hearing dated January 29, 2025, Enforcement Staff make the following allegations:

**PART I – REQUIREMENTS CONTRAVENED**

Between March 2021 and January 2022, the Respondent failed to ensure that an investment strategy that the Respondent recommended and implemented for the account of a client was suitable based on the essential facts relative to the client, contrary to MFDA Rule 2.2.1.<sup>1</sup>

**PART II – RELEVANT FACTS AND CONCLUSIONS**

**Overview**

1. In March 2021, client XX sold SB's home with the intention of using the proceeds to repay a mortgage and downsize to a smaller home. Client XX was a vulnerable client by virtue of SB's age, serious health condition, lack of investment knowledge, and very limited income and financial resources. The Respondent recommended to client XX that instead of using the proceeds from the sale of the home to purchase a new home, the proceeds be invested in a mutual fund and that client XX obtain a mortgage to purchase a new home. The Respondent advised client XX that the return on the mutual fund could

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<sup>1</sup> On December 31, 2021, amendments to MFDA Rule 2.2.1 came into effect. As the conduct addressed in this proceeding commenced prior to the amendments to the Rule, the version of MFDA Rule 2.2.1 that was in effect prior to the amendments is applicable to this proceeding.

then be used to make the mortgage payments, with any additional growth retained as profit. Client XX followed the Respondent's recommendation, resulting in significant losses.

2. The strategy recommended and implemented by the Respondent for the accounts of SB was a leveraged investment strategy. The Respondent failed to ensure that this strategy was suitable by virtue of the Know-Your-Client factors concerning SB described above. In addition, the Respondent failed to adequately explain the material risks and features of the leveraged investment strategy, including, among other things, how borrowing to invest could amplify losses and the risks that the mutual fund investment might not generate sufficient returns for SB to make the mortgage payments.

### **Registration History**

3. Commencing August 2000, the Respondent was registered in the securities industry.

4. Between September 22, 2014 and September 18, 2023, the Respondent was registered as a dealing representative with Royal Mutual Funds Inc. (the "**Dealer Member**"), a Dealer Member of CIRO (formerly a Member of the MFDA).

5. The Respondent is not currently registered in the securities industry in any capacity.

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

### **The Dealer Member's Policies and Procedures**

7. At all material times, the Dealer Member's policies and procedures required that, when recommending a leveraged strategy, Approved Persons:

- (a) complete a draft Leveraged Investing Analysis ("**LIA**") form, which required a suitability analysis on the basis of the criteria set out at paragraph 8 below;

- (b) prior to recommending the strategy to the client, review the suitability of the strategy with the Approved Person's Branch Compliance Officer-Financial Planning ("BCO-FP") and the Regional Financial Planning Consultant ("RFPC");
- (c) update the LIA based on the review with the BCP-FP and the RFPC and obtain BCO-FP pre-approval; and
- (d) when implementing the strategy for the client, complete or update the client's Know-Your-Client ("KYC") information to reflect that the client's account is "leveraged".

8. The Dealer Member's policies and procedure further set out criteria to assist Approved Persons to determine the suitability of leveraged investing, including that:

- (a) clients should have at least "Average" investment knowledge;
- (b) clients should have "Average" or higher risk tolerance;
- (c) clients should be under 60 years of age;
- (d) clients should have an investment time frame of 5 years or more;
- (e) clients' annual income should not be under \$50,000, and clients should have sufficient after-tax disposable income to meet loan payments;
- (f) the amount borrowed for the purpose of purchasing investments should not exceed 30% of a client's net worth;
- (g) investment loans should not exceed 50% of the client's estimated liquid assets;
- (h) total debt interest payment should not exceed 40% of the client's gross income;
- (i) leveraged investing may not be appropriate for clients who are unemployed, retired, or without stable income; and
- (j) leveraged investing may not be appropriate for investors with Secure or Very Conservative Investor Profiles if additional risks are being taken on.

## **The Leveraged Investment Strategy**

9. In March 2021, SB sold SB's home with the intention of using the proceeds to repay a mortgage and downsize to a smaller home. The Respondent had been assisting SB with settling SB's mother's estate in the Respondent's capacity as an employee of the bank affiliated with the Dealer Member. SB had told the Respondent about the sale and about SB's intention to use the proceeds to purchase a new smaller home.

10. SB was a vulnerable client by virtue of the following:

(a) SB was 64 years old;

(b) SB suffered from a serious and chronic illness;

(c) SB had worked as a daycare worker, which had been shut down due to COVID-19 and was unable to return to work due to her health condition;

(d) SB was earning approximately \$8,800 per year in retirement income;

(e) SB had limited education and little to no knowledge of investing;

(f) SB had a low risk tolerance; and

(g) save for the proceeds from the sale of the home, had limited financial resources.

11. At around the time SB sold the home, SB was unable to find a new home to purchase and began to rent a place to live.

12. SB met with the Respondent, who recommended that SB invest the proceeds from the sale of the home in a mutual fund, obtain a mortgage to purchase a new home, and use the earnings from the mutual fund to make the mortgage payments.

13. The strategy recommended by the Respondent was a leveraged investment strategy, as it required SB to obtain a mortgage against the home she would purchase to have the money available to invest in a mutual fund, the return from which was to be used to make the mortgage payments.

14. On June 24, 2021, the Respondent sent an email to SB that compared 25-year projections of the options of purchasing a new home in cash versus the leveraged investment strategy.

15. The Respondent's comparison only showed the results of ongoing positive returns from the mutual fund investment, increasing value of the home, and a fixed mortgage interest rate for the 25-year life of the mortgage. The Respondent's projections failed to illustrate the impact of a market downturn or the risks associated with the mutual fund investment failing to generate sufficient returns to fund the projected mortgage payments.

16. On August 6, 2021, SB was still unable to find a home to purchase and agreed to implement the Respondent's recommended strategy using the full proceeds from the home sale. The Respondent opened a non-registered account and a Tax-Free Savings Account for SB and processed the purchase of \$999,999 and \$75,500 of the RBC Select Conservative Portfolio mutual fund in the two accounts, respectively. The Respondent further had SB invest \$248,000 in a cashable Guaranteed Investment Certificate ("GIC") for emergency use and towards a downpayment on a future home purchase.

17. On December 17, 2021, SB purchased a new home which closed on January 17, 2022. Pursuant to the strategy recommended by the Respondent, SB redeemed and used the amount invested in the cashable GIC and \$88,000 from the non-registered account as a downpayment and obtained a mortgage for \$559,000 to pay for the new home.

18. At no time did the Respondent complete an ILA, confer with BCO-FP and the RFPC, obtain BCO-FP pre-approval, or indicate on the documentation for SB's accounts that a leveraging strategy had been implemented as required by the Dealer Member's policies and procedures described above.

19. On February 23, 2022, the Respondent set up a \$2,000 monthly systematic withdrawal plan so that SB could pay the mortgage payments. Between February 2022 and May 2022, SB redeemed a further \$24,700 from SB's investment accounts to pay for unexpected expenses in relation to SB's new home. These redemptions reduced SB's principal investment, leaving less assets in SB's accounts to generate the return necessary to make SB's mortgage payments.

20. Between February 2022 and December 2022, the RBC Conservative Portfolio mutual fund declined in value. In December 2022, SB had the entirety of the investments redeemed and used the proceeds to repay the mortgage in full. SB suffered an investment loss of \$64,277.16 and further incurred a penalty of \$23,714.01 to repay the mortgage.

21. The Respondent failed to ensure that the suitability of the leveraged investment strategy that the Respondent recommended and implemented for SB having regard for SB's personal circumstances. SB had limited investment knowledge, had a low risk tolerance, was over 60 years old, had an annual income of less than \$50,000, and was not expecting to return to work due to SB's health. In addition, the amount of SB's mortgage exceeded 30% of SB's net worth and 50% of SB's liquid assets and the interest payments on the mortgage exceeded 40% of SB's gross income.

22. By virtue of the foregoing, the Respondent failed to ensure the suitability of an investment strategy that he recommended and implemented for the account of a client, contrary to MFDA Rule 2.2.1.

**DATED** at Toronto , Ontario this 29<sup>th</sup> day of January 2025.

iM# 1539364