Re Belknap

IN THE MATTER OF:

The Rules of the Investment Industry Regulatory Organization of Canada

and

John Richard Belknap

2020 IIROC 15

Investment Industry Regulatory Organization of Canada
Hearing Panel (Ontario District)

Heard: May 19, 2020 in Toronto, Ontario
Decision: May 19, 2020
Reasons: June 5, 2020

Hearing Panel:
Christopher Portner, Chair, Nick Pallotta, Jane Waechter
Appearance:
Natalija Popovic, Senior Enforcement Counsel of IIROC
Jonathan Bell and Douglas A. Fenton, Counsel for the Respondent
John Richard Belknap (present)

REASONS FOR ACCEPTANCE OF SETTLEMENT AGREEMENT

I. INTRODUCTION

Settlement Agreement

¶ 1 On May 19, 2020, Senior Enforcement Counsel ("Enforcement Counsel") of the Investment Industry Regulatory Organization of Canada ("IIROC") and counsel for John Richard Belknap (the "Respondent") submitted a Settlement Agreement between IIROC and the Respondent dated April 6, 2020 (the "Settlement Agreement") to the Hearing Panel for acceptance or rejection pursuant to Section 8215 of IIROC's *Consolidated Enforcement, Examination and Approval Rules* (the "Consolidated Rules"). Following a teleconference hearing, the Hearing Panel accepted the Settlement Agreement with Reasons to follow. These are our Reasons for such acceptance.

Contravention

¶ 2 The Respondent has admitted that:

a) Between 2003 and May 2018, he engaged in undisclosed outside business activities relating to three private companies, contrary to Dealer Member Rule 18.14; and

b) Between 2005 and 2016, he engaged in an undisclosed outside business activity involving clients relating to the purchase and sale of art, contrary to Dealer Member Rule 18.14.

Agreed Penalties

¶ 3 The Respondent has agreed to (i) pay a global fine of $175,000; (ii) a permanent ban from registration in any capacity with IIROC; and (iii) pay costs of $10,000.

II. THE FACTS

¶ 4 The facts on which the parties have agreed are set out in Part III of the Settlement Agreement, a copy of which is attached to these Reasons. By way of summary, the Respondent, who is 75 years of age, was a Registered Representative of Scotia Capital Inc. ("Scotia") from 1976 until September 2018. From 2003 until 2018, the Respondent engaged in outside business activities which involved his clients without the knowledge or consent of Scotia. The Respondent's employment was terminated in September 2018 when Scotia became aware of his outside activities following complaints by two of his clients.

¶ 5 During the relevant period, the Respondent engaged in a variety of business activities on behalf of three private companies, namely, ABS Systems ("ABS"), BPM Research Inc. ("BPM") and Micro Target Media ("MTM" and, together with ABS and BPM, the "Companies"). MTM was founded in 2005 and was engaged in providing advertising services. In or around 2007, MTM acquired BMP. TP, whom the Respondent described as a friend and business associate, was an investor in all of the Companies.

¶ 6 Between 2003 and 2015, the Respondent facilitated investments in the Companies by certain of his clients and also facilitated a series of loans by clients to TP, who was the Chief Executive Officer of MTM, in the aggregate amount of $6.5 million.

¶ 7 Between 2003 and 2013, the Respondent personally invested approximately $500,000 in MTM and, commencing in 2011, he began to make personal loans to TP which eventually aggregated a further $500,000. The Respondent continued to act as an intermediary for TP until early 2018.

¶ 8 In the case of one client's investment in BPM, and although Scotia had no involvement, the Respondent included references to Scotia in the subscription agreement including a disclaimer that Scotia had not independently verified the information contained in the offering memorandum and an acknowledgement that the subscriber had not relied on any investment advice from Scotia or any of its affiliates with respect to the investment.

¶ 9 The Respondent's clients and non-clients incurred losses of more than $6.5 million in connection with the above-described investments.

¶ 10 Commencing in 2004, the Respondent engaged in a further undisclosed outside business activity with TP to buy and sell works of art through an organization that was called the Art Club. TP was the founder, art expert, and effectively acted as the Chief Executive Officer of the Art Club which had a membership fee of $15,000 per person.

¶ 11 The Respondent and his spouse organized and attended the Art Club meetings and the Respondent's spouse had authorization over the Art Club's bank account together with TP.

¶ 12 The Respondent solicited two of his clients to become members of the Art Club in addition to two non-clients who became members of the Art Club after meeting the Respondent through a friend. The non-clients stated that they became involved with the Art Club as they viewed the Respondent to be reputable based on his position as an investment advisor.

¶ 13 The Respondent provided the two non-clients with an agreement when they joined the Art Club which included instructions to return the completed copy and membership fee to the Respondent or his spouse. The agreement included a disclaimer that Scotia had not independently verified the information contained in the agreement and an acknowledgement that the investors had not relied on any investment advice from Scotia or any of its affiliates with respect to the investment.

¶ 14 No payments were ever made to any of the Art Club members.

III. MITIGATING ANDD AGGRAVATING FACTORS

¶ 15 In her written submissions, Enforcement Counsel notes that the following factors were taken into consideration in settling the Settlement Agreement:

Mitigating

a) The Respondent has no disciplinary history;

b) By admitting the misconduct described above and agreeing to resolve the matter by means of a settlement agreement, the Respondent reduced the length of time required to investigate the matter which permitted an early resolution; and

c) Given the Respondent's age, the termination of his employment and limited financial assets, evidence of which has been provided to IIROC Staff, any monetary sanction would have a significant effect on the Respondent's personal circumstances.

Aggravating

d) The Respondent conducted undisclosed outside business activities over a period of approximately 15 years; and

e) The Respondent's clients and non-clients sustained losses of more than $6.5 million.

IV. THE ROLE OF THE HEARING COMMITTEE

¶ 16 Pursuant to subsection 8215(5) of the Consolidated Rules, the Hearing Panel may only accept or reject the Settlement Agreement. Enforcement Counsel referred the Panel to *Re Milewski*[1] in which the District Council stated that:

> 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.[2]

¶ 17 In determining whether to accept the Settlement Agreement, the Hearing Panel should also be satisfied with respect to the following three considerations described in *Re Donelly*[3], each of which we address below:

(a) The agreed penalties must be within an acceptable range, taking into account similar cases;

(b) The agreed penalties must be fair and reasonable, that is, proportional to the seriousness of the contravention, and considering other relevant circumstances, and should appear to be so to members of the public and industry; and

(c) The agreed penalties should serve as a deterrent to the respondent and to industry.

V. ANALYSIS

¶ 18 The Settlement Agreement provides for three penalties, namely, the payment of a fine in the amount

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[1] [1999] IDACD No. 17.
[2] *Ibid*, at pages 11-12.
[3] 2016 IIROC 23 at para. 5.

of $175,000, costs in the amount of $10,000 and a permanent ban from registration in any capacity with IIROC. As there do not appear to be any similar cases the Panel should take into account, we have considered the principles raised by other cases submitted by Enforcement Counsel.

¶ 19 With respect to whether the proposed penalties are within an acceptable range, we have considered the cases submitted by Enforcement Counsel including two, in particular. In Re Malley4, the Panel stated that the absence of case authority to support the imposition of a permanent ban was not a compelling reason against the imposition of such a penalty. In Re Sole5, the respondent was found to have engaged over a two-month period in conduct that was contrary to Dealer Rules 1400 and 18.14, entering orders on IIROC-regulated marketplaces while his access was suspended, engaging in an outside business activity without obtaining the approval of his Dealer Member and failing to cooperate with IIROC Staff. The penalties imposed on the respondent were a permanent bar on registration in any capacity with IIROC, a fine of $80,000, and costs of $10,000.

¶ 20 In assessing whether the agreed amounts of the fine and costs and a permanent ban in this matter are within an acceptable range, we have compared the monetary penalties imposed on the respondent in Re Sole ($80,000 fine and $10,000 in costs versus $175,000 and $10,000 in costs in the current matter) and permanent bans in both matters. However, the conduct in Re Sole spanned over two months compared to a period of approximately 15 years in this matter.

¶ 21 As noted by the hearing panel in *Re Laurentian Bank*[6]:

> Our mission is not that of an appeal body. We are not required to consider whether, having heard the case in an adversarial proceeding in the first instance, we would have ruled or not as the Parties agreed in their SETTLEMENT AGREEMENT. Neither is it up to us to consider whether the content of the SETTLEMENT AGREEMENT is too lenient or too harsh. That is not our role in the matter either. Even were we of the opinion that, having heard the case in first instance, our decision on Penalties would have been more lenient or more severe than the SETTLEMENT AGREEMENT, that would not be our mission either.

¶ 22 With respect to whether the agreed penalties are fair and reasonable, we have considered the case of *Re Donnelly*[7]in which the hearing panel stated:

> What is fair and reasonable will depend to a large degree on the particular facts and circumstances of a matter. Where both parties to a settlement agreement are represented by counsel, and have the means to undergo a contested hearing, but have reached a settlement, it is unlikely that a panel would ever conclude that the settlement was unfair and not reasonable.

¶ 23 We have also considered the case of *Re Melville*[8] in which the hearing panel stated that:

> …our task is not to decide whether, in this case, we would have arrived at the same decision as that reached by the parties. Rather, our duty is to determine whether the penalty is a reasonable one and that it meets the objectives of the disciplinary process which are to maintain the integrity of the investment industry.

¶ 24 With respect to whether the agreed penalties should serve as a deterrent to the Respondent (which is not relevant in the current matter given the permanent ban) and to industry, we have considered the penalty

[4] 2014 LNIIROC 29 at para. 36.
[5] 2018 LNIIROC 19.
[6] 2017 IIROC 38 at para. 11.
[7] *Supra* note 3 at para. 29.
[8] 2014 LNIIROC 51 at para. 9.

decision in *Re Noronha*[9] in which the hearing panel referred to the following passage of the Supreme Court of Canada decision in *Re Cartaway Resources Corp.* in addressing the nature of general prevention and deterrence and their role in sanctions which may be imposed by investment and securities regulators:

> In my view, nothing inherent in the Commission's public interest jurisdiction, as it was considered by this Court in *Asbestos*, supra, prevents the Commission from considering general deterrence in making an order. To the contrary, it is reasonable to view general deterrence as an appropriate, and perhaps necessary, consideration in making orders that are both protective and preventative. Ryan J.A. recognized this in her dissent: "The notion of general deterrence is neither punitive nor remedial. A penalty that is meant to generally deter is a penalty designed to discourage or hinder like behaviour in others" (para 125)…
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> ...A penalty that is meant to deter generally is a penalty that is designed to keep an occurrence from happening; it discourages similar wrongdoing in others. In a word, a general deterrent is preventative. It is therefore reasonable to consider general deterrence as a factor, albeit not the only one, in imposing a sanction under s. 162." [Emphasis in original.]

¶ 25 Of particular importance in this matter is the issue of the Respondent's prolonged engagement in outside business activities without the knowledge or consent of, or oversight by, Scotia, all of which are fundamental tenets of the securities industry. The principles relating to the disclosure of outside business activities and oversight are extremely well articulated by one of the panel members in *Re Trueman)*[10] who, in concurring reasons, said as follows:

> **35** Disclosure of outside business activities is one of the fundamental principles of the securities regulatory framework. It allows a firm on a Tier 1 basis [Tier 1 is at the business supervisor level at the firm] to look at all the activities that a sales person is undertaking and to make sure that they are in the client's best interests and that issues such as conflicts of interest and potential for client confusion are identified and addressed. It also allows that activity to be monitored at the Tier 2 level [an independent compliance review].
>
> **36** When a person undertakes activity outside the auspices of the firm, that fundamental protection provided for in securities regulation is unable to occur. [Emphasis added.]
>
> **…**
>
> **39** One should never forget the fundamental principle of outside business activity and disclosure. For the respondent and anybody else who might read these reasons in the future, it should be very clear that these are fundamental protections in the securities regulatory framework and we cannot tolerate people who do not adhere to them.

¶ 26 Finally, we have considered IIROC's *Sanction Guidelines* which "are intended to promote consistency, fairness and transparency by providing a framework to guide the exercise of discretion in determining sanctions which meet the general sanctioning objectives."[11] Relevant to this matter are the following paragraphs:

> (3) For multiple violations, the total or cumulative sanction should appropriately reflect the totality of the misconduct. Where there are multiple violations, the overall sanction imposed should not be excessive or disproportionate to the gravity of the total misconduct at hand. For this reason, a global approach to sanctioning may be appropriate where the imposition of a sanction for each contravention would have the effect of imposing on the

[9] 2017 LNIIROC 16 at para. 23.
[10] 2016 LNIIROC 29.
[11] IIROC *Sanction Guidelines* at page 3.

respondent a cumulative sanction that is excessive.

…..

(6) A permanent bar should be considered where:

- the contraventions involve significant harm to the investing public, the integrity of the market or the securities industry;
- the misconduct had an element of criminal or quasi-criminal activity; or
- there is reason to believe that the respondent cannot be trusted to act in an honest and fair manner in their dealings with the public, their clients, and the securities industry as a whole.

A fine and/or disgorgement should be considered even where a permanent bar is imposed in egregious cases involving significant harm to investors or to the integrity of the securities industry as a whole.

(7) Inability to pay is a relevant consideration in determining the appropriate financial sanctions imposed on a respondent. It should not be considered a predominant or determining factor, but it is a relevant factor depending on the circumstances of the misconduct.

¶ 27 Having considered all of the foregoing, we find that the agreed penalties:

a) Are within an acceptable range and take into account the mitigating and aggravating factors described in paragraph 15 above;

b) Are fair and reasonable and are proportional to the seriousness of the contraventions and will appear to be so to the members of the public and the industry; and

c) The quantum of the fine and the permanent ban from registration in any capacity with IIROC should serve as a deterrent to the members of the securities industry.

VI. CONCLUSION

¶ 28 For the foregoing reasons, the Panel has concluded that the Settlement Agreement is in the public interest and, accordingly, is accepted.

Dated at Toronto, Ontario this 5 day of June, 2020.

Christopher Portner

Nick Pallotta

Jane Waechter

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Investment Industry Regulatory Organization of Canada (“IIROC”) will issue a Notice of Application to announce that it will hold a settlement hearing to consider whether, pursuant to Section 8215 of the Consolidated Enforcement, Examination and Approval Rules of IIROC, a hearing panel (“Hearing Panel”) should accept the settlement agreement (“Settlement Agreement”) entered into between the staff of IIROC (“Staff”) and John Richard Belknap (“Respondent”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. 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. Beginning in 2003 and continuing until 2018, the Respondent, a Registered Representative with Scotia Capital Inc. ("Scotia"), engaged in undisclosed outside business activities in relation to his extensive involvement with three private companies and a club that was intended for buying and selling art for profit. The Respondent's activities involved his Scotia clients and included facilitating investments in the companies and loans to both the companies and their primary investor, who in the case of one of the companies was the CEO.

Background

5. The Respondent is 75 years old and has worked in the financial industry his entire professional life and has never been employed in an alternative industry or held alternative employment.

6. The Respondent was a Registered Representative with Scotia from 1976 until September 2018 when he was dismissed as a result of the conduct described herein. He has not been employed in the securities industry since his dismissal.

Involvement with the Private Companies

7. Between 2003 and 2018, the Respondent engaged in a variety of business activities in relation to three private companies ABS Systems Inc. ("ABS"), BPM Research Inc. ("BPM") and Micro Target Media ("MTM"), (together the "Companies"), using his Scotia email address including:

    i. facilitating the raising of capital for the Companies;

    ii. organizing shareholder meetings;

    iii. working with TP, the CEO of MTM, to obtain signatures from various shareholders;

    iv. acting as an intermediary between TP and the Respondents clients who were investors in the Companies;

    v. assisting TP with investor liaison; and

    vi. using Scotia employees for administrative tasks related to TP and MTM such as scheduling meetings and sending documents.

8. The Respondent met TP socially in the 1980's and described him as a friend and business associate. MTM was a private company founded in 2005 and engaged in providing advertising services. In or around 2007, MTM acquired BPM. TP was an investor in all of three of the Companies.

9. Between 2003 and 2013, the Respondent facilitated investments in the Companies to clients, and facilitated a series of loans by clients to the CEO of MTM. The Respondent continued to act as an intermediary for TP until early 2018.

10. Between 2007 and 2009, the Respondent personally invested approximately $500,000 in MTM and starting in or around 2011, the Respondent began making personal loans to TP with an ultimate total loan amount of $500,000.

Recommended Investments and Loans to Clients

ME

11. In 2003, the Respondent recommended that his client, ME, a sophisticated investor, invest approximately 25% of his capital in private equity over time. He introduced ABS and BPM as potential opportunities.

12. Though he also held personal accounts with the Respondent, ME's investments in ABS and BPM, as well as MTM, were made through his corporate account "L. Ltd." The investments were paid for using funds from the L. Ltd. account also held by the Respondent. Between 2003 and 2012, ME invested approximately $2,325,000 USD in the Companies.

13. The Respondent facilitated L. Ltd.'s investments by providing the subscription agreements, arranging fund transfers, providing updates, and organizing meetings related to MTM in which ME participated.

14. In the case of BPM, although Scotia had no affiliation with the offerings, the Respondent included language in the subscription agreement making references to Scotia including:

    i. a disclaimer that Scotia had not independently verified the information contained in the offering memorandum; and

    ii. an acknowledgement that the subscriber had not relied on any investment advice from Scotia or any of its affiliates with respect to the investment.

15. Between 2007 and 2009, by way of a written agreement, the Respondent charged the L. Ltd. account a quarterly "consulting fee" totaling in excess of $49,000 for managing the overall portfolio, including assets at and outside of Scotia, and including activities related to MTM.

16. Between 2013 to 2015, ME made loans of more than $200,000 CAD to TP based, in part, on reassurances from TP that he was expecting to receive approximately $16 million from a lawsuit. The Respondent also made loans to TP on this basis and provided assurances to ME that he believed the money from the lawsuit would be forthcoming.

17. To support this assertion, TP provided ME with a letter on law firm letterhead referencing the award. ME understood that the Respondent was aware of this letter; however, the letter was fraudulent. The Respondent did not know the letter was fraudulent.

JS

18. In 2008, the Respondent invited JS, who was the principal of the Respondent's client 175 Ontario Inc., to a meeting for an investment presentation by TP. The Respondent told JS that TP had prior success in business and that the technology MTM owned was believed to be worth upwards of $100 million based on an appraisal performed by Morgan Stanley.

19. In 2008, JS invested $500,000 USD in MTM through 175 Ontario Inc., and another $500,000 USD through a corporation that was not the Respondent's client. The funds used for the MTM investments were transferred from JS' bank account rather than the 175 Ontario Inc. account. The subscription agreements reflect that the Respondent was a witness to the signatures on the agreements.

20. On October 16, 2009, the Respondent facilitated an additional $100,000 USD investment by 175 Ontario Inc. in MTM. There is a corresponding $100,000 USD withdrawal from the 175 Ontario Inc. account on the same day, bringing JS' total investment, through his corporate entities, in MTM to $1.1 million USD.

21. In 2013, at the Respondent's introduction JS began to loan money to TP. Between 2013 and 2015, JS loaned $77,800 CAD to TP.

22. JS did so based, in part, on reassurances from TP that he was expecting to receive approximately $16 million from the lawsuit described above. TP provided JS with the same letter on law firm letterhead referencing the award as he had provided to ME. However, the letter was fraudulent.

23. The Respondent also made loans to TP on this basis and provided assurances to JS that he believed the money from the lawsuit would be forthcoming. As described above, the Respondent did not know the law firm letter was fraudulent.

DSI, AA & DO

24. In or around 2003, the Respondent introduced TP to his clients AA and DO, for whom he also held a corporate account "DSI". The purpose of the introduction was for MTM to become a tenant in a building that DSI owned, which MTM subsequently did.

25. The Respondent described TP's prior business successes with other companies and facilitated investments by DSI in BMP and MTM. Between 2005 and 2011, the Respondent facilitated investments by DSI of $75,000 CAD in BPM and $1,830,000 USD in MTM. The Respondent also facilitated additional investments for DSI, AA and DO of over $350,500 CAD.

26. Between 2003 and 2018, AA and DO each loaned approximately $50,000 to TP that he solicited directly from them. AA and DO made inquiries of the Respondent before doing so.

LF

27. LF held both a personal account and a corporate account for 343 Canada Inc. with the Respondent. The Respondent introduced LF to TP in or about June 2006 for the purposes of discussing an investment in MTM.

28. In 2006, 343 Canada Inc. invested $50,000 USD in MTM by entering into an option agreement with TP. As at April 2013, 343 Canada Inc. also held approximately 133,900 shares of ABS.

JH

29. Between 2008 and 2010, at the Respondent's recommendation, JH invested $275,000 USD in MTM, invested or loaned MTM a total of $50,000 USD, and made an additional loan of $50,000 to MTM. These amounts were paid for using funds from JH's personal account held with the Respondent.

CW

30. In 2004, CW through a corporate account, SSC, held with the Respondent, invested $50,000 in ABS and $50,000 in BPM via subscription agreements and in unspecified currency. The Respondent facilitated these investments.

31. In 2006, SSC indirectly invested $200,000 USD in MTM by entering into an option agreement with TP. The MTM investment was paid for using funds from the SSC account and by way of a cheque made out to TP. The Respondent facilitated this investment.

32. In 2011, the Respondent personally paid SSC a total of $245,000 CAD as reimbursement for the $200,000 USD investment in 2006, together with an amount for opportunity loss. The Respondent did so by way of a personal cheque together with a letter confirming the purpose of the payment.

33. In 2012, the Respondent personally purchased SSC's ABS shares for total consideration of $1.00 in a tax loss transaction.

The Art Club

34. Beginning in 2004, the Respondent engaged in an undisclosed outside business activity with TP to buy and sell works of art to generate a profit (the "Art Club"). The Art Club had a membership fee of $15,000 CAD per person.

35. The Respondent and his spouse organized and attended the Art Club meetings. TP was the founder, art expert, and effectively acted as CEO. The Respondent solicited memberships from his clients, AA and LF,

organized meetings, and the Respondent's spouse had authorization over the Art Club bank account together with TP.

36. In addition to the Respondent's clients AA and LF, two non-clients, AC and DE, became members of the Art Club after meeting the Respondent through a friend. They stated they became involved with the Art Club as they viewed the Respondent to be reputable based on his position as an investment advisor.

37. The Respondent provided AC and DE with an agreement when they joined the Art Club. The agreement had instructions to return the completed copy and membership fee to the Respondent or his spouse. The agreement contained a disclaimer that Scotia had not independently verified the information contained in the agreement and an acknowledgement that the clients had not relied on any investment advice from Scotia or any of its affiliates with respect to the investment.

38. Between January 2014 and December 2016, AC and DE exchanged emails with the Respondent and TP about whether the Art Club members would be repaid their initial investment due to a lack of updates and activity in the Art Club.

39. In April 2016, AA also wrote to the Respondent suggesting that, given the lack of activity, the Art Club's inventory of art should be sold and the proceeds distributed to members.

40. In response to these emails, the Respondent acted as an intermediary between his client, the non-clients, and TP, providing explanations about TP's financial and personal situation that were causing delays.

41. No payments were ever made to any of the Art Club members. The Respondent advised Enforcement Staff that he believes the art pieces in question have not been sold and remain in TP's possession.

The Respondent's Conduct

42. The Respondent admits that he did not disclose his outside business activities in the Companies or Art Club to Scotia. The Respondent has also admitted that he introduced his clients to TP for the purpose of facilitating investments in MTM, he was aware clients made loans to TP, and that he reimbursed SSC for its original investment in MTM.

43. The Respondent's outside business activities were discovered in September 2018 as a result of complaints by ME and JS.

Additional Factors

44. The Respondent has no prior discipline history.

45. Staff commenced an investigation into the Respondent's conduct in November 2018.

46. The Respondent's admissions and cooperation shortened the length of time required by Staff to investigate this matter and led to an early resolution.

47. Given the Respondent's age, current employment status and limited financial assets, evidence of which has been provided to Staff, any monetary sanction would have a significant impact on the Respondent's personal circumstances.

PART IV – CONTRAVENTIONS

48. By engaging in the conduct described above, the Respondent committed the following contraventions of IIROC's Rules:

    (i) Between 2003 and May, 2018, the Respondent engaged in undisclosed outside business activities in relation to three private companies, contrary to Dealer Member 18.14; and

    (ii) Between 2005 and 2016, the Respondent engaged in an undisclosed outside business activity

involving clients relating to the purchase and sale of art, contrary to Dealer Member Rule 18.14.

PART V – TERMS OF SETTLEMENT

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

    a) A global fine of $175,000;

    b) A permanent ban on registration from registration in any capacity with IIROC; and

    c) Costs of 10,000.

50. 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 Staff and the Respondent.

PART VI – STAFF COMMITMENT

51. If the Hearing Panel accepts this Settlement Agreement, 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.

52. If the Hearing Panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

53. This Settlement Agreement is conditional on acceptance by the Hearing Panel.

54. This Settlement Agreement shall be presented to a Hearing Panel at a settlement hearing in accordance with the procedures described in Sections 8215 and 8428, in addition to any other procedures that may be agreed upon between the parties.

55. Staff and the Respondent agree that this Settlement Agreement will form all of 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.

56. If the Hearing Panel accepts the Settlement Agreement, the Respondent agrees to waive all rights under the IIROC Rules and any applicable legislation to any further hearing, appeal and review.

57. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement or Staff may proceed to a disciplinary hearing based on the same or related allegations.

58. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.

59. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and IIROC will post a full of copy of this Settlement Agreement on the IIROC website. IIROC will also publish a summary of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement.

60. 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.

61. The Settlement Agreement is effective and binding upon the Respondent and Staff as of the date of its

acceptance by the Hearing Panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

62. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

63. A fax or electronic copy of any signature will be treated as an original signature.

DATED this "6" day of "APRIL", 2020.

"Witness"

Witness

"John Richard Belknap"

John Richard Belknap

"Ben Fitzgerald"

Ben Fitzgerald, Investigator

"Natalija Popovic"

Natalija Popovic

Enforcement Counsel on behalf of Enforcement Staff of the Investment Industry Regulatory Organization of Canada

The Settlement Agreement is hereby accepted this "19th" day of "May", 2020 by the following Hearing Panel:

Per: "Christopher Portner"

Panel Chair

Per: "Jane Waechter"

Panel Member

Per: "Nick Pallotta"

Panel Member