

Re e3m Investments

IN THE MATTER OF:

**An Expedited Hearing Pursuant to Dealer Member Rule 20.42 of the
Investment Industry Regulatory Organization of Canada (IIROC)**

and

e3m Investments Inc.

2014 IIROC 33

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

Heard: July 4, 2014

Decision: July 28, 2014

Hearing Panel:

Paul M. Moore, Q.C., Chair, F. Michael Walsh and Mary Savona

Appearances:

Diana Iannetta, Enforcement Counsel

Robert Goldberg, UDP and CCO of e3m

REASONS

INTRODUCTION

¶ 1 This was a hearing pursuant to an application by the Staff of the Investment Industry Regulatory Organization of Canada for an order suspending the membership of e3m Investments Inc. pursuant to Dealer Member Rules 20.41, 20.42, and 20.45, and Rule 16 of the Rules of Practice and Procedure.

¶ 2 The order sought was to suspend and eventually to terminate the membership of e3m.

¶ 3 We reviewed an affidavit of Mr. Goldberg in which he consented to this hearing and the requested order on behalf of e3m. Mr. Goldberg was currently the sole registrant employed with e3m. He was also the Ultimate Designated Person and Chief Compliance Officer for e3m.

¶ 4 e3m was currently capital deficient within the meaning of IIROC's Rules. Its assets (but not its liabilities) had been sold to another member of IIROC and all of e3m's client accounts had been transferred to that member. e3m was no longer carrying on business. It had no clients, no Chief Financial Officer, and no registered representatives. Furthermore, it was subject to an order of the Ontario Securities Commission that, among other things, in effect, prevented it from carrying on business.

¶ 5 The terms and conditions of the order of the OSC dealt, among other things, with e3m's remaining capital which was transferred to the other member and held in an accumulating account. In view of the OSC order, we did not need to concern ourselves with e3m's remaining capital.

¶ 6 e3m had submitted its resignation application to IIROC but no longer had the ability or financial means to complete that application and to fulfill the requirements of the Rules (including obtaining a required audit of its financial statements and the ability to meet its liabilities). The obvious way to end e3m's membership was through the application before us.

ISSUES

¶ 7 The issues before the panel centered on the fact that e3m was obligated, in effect, to continue to hold itself out as a Dealer member Firm until its membership in IIROC was suspended or terminated, even though it was unable to conduct any business. Given this situation, the pertinent issues were whether e3m was in financial difficulty, and whether allowing e3m to continue as a Dealer Member created a risk of immanent harm to the public, to IIROC members, or to IIROC itself.

DECISION

¶ 8 We decided to grant the application. We issued the requested order on July 4, 2014.

REASONS

¶ 9 It was clear that e3m had ceased carrying on business, that it had no clients and that it had no prospects of continuing as a viable Dealer Member. In addition, it was clear that it had no financial resources to complete the steps required for it to resign from IIROC.

¶ 10 As a Dealer Member it was obliged to maintain a website and to hold itself out as a member of IIROC even though, by reason of regulatory, financial and practical reasons it was unable to carry on business.

¶ 11 It was difficult for us to conceive how e3m's continuing membership in IIROC under the circumstances would cause meaningful harm to anyone. However, we could not completely discount the possibility of harm due to e3m's continuing to be an IIROC member and holding itself out as such.

¶ 12 In view of the fact that continuing membership served no purpose, that IIROC and e3m wanted the requested order, and that the requested order was the obvious way to achieve the termination of the membership, we concluded that any risk created by continuing membership under the circumstances, however unlikely, was not worth allowing. Suspending and eventually terminating e3m's membership would ensure that e3m would not continue to operate as a Dealer Member. Accordingly, we determined that e3m's continuing to operate as a Dealer Member under the circumstances created a risk of immanent harm to the public, to IIROC members or to IIROC itself.

¶ 13 Our decision is in accordance with other cases. See Gateway Securities Inc. 2009 LNIROC 13; Peregrine Financial Group Canada Inc. 2012 LNIROC 43; Creditfinance Securities Ltd., 2009 LNIROC 16; and First Leaside Securities Inc. 2012 LNIROC 16.

Dated at Toronto, Ontario, this 28 day of July, 2014.

Paul M. Moore Q.C., Chair

F. Michael Walsh

Mary Savona

Order

THIS APPLICATION by the Staff of the Investment Industry Regulatory Organization of Canada (IIROC Staff) for an order suspending the membership of e3m, was heard this day at Toronto, Ontario, pursuant to Dealer Member Rules 20.41, 20.42, 20.45 and Rule 16 of the Rules of Practice and Procedure.

ON READING the materials filed in support, and on hearing the submissions of counsel for IIROC Staff and upon noting the consent of the Respondent, e3m Investments Inc., ("e3m"), a Dealer Member of IIROC:

THIS HEARING PANEL ORDERS:

1. Pursuant to Dealer Member Rule 20.45(1)(a), e3m's membership is suspended;
2. Pursuant to Dealer Member Rule 20.45(1)(d), e3m shall immediately cease dealing with the public, and shall take down its website;

3. e3m is no longer required to comply with the following requirements under the Dealer Member Rules:
 - i. the filing requirements set out in Rule 16.2 (including the filing of audited financial statements which were due in March 2014);
 - ii. the appointment of a Chief Financial Officer set out in Rule 38.6; and
 - iii. the maintenance of insurance set out in Rule 400.
4. e3m shall deliver, on a monthly basis, copies of the account statements from its investment account at Caldwell Securities Ltd. (the "Accumulating Account"), to the Vice-President, IIROC Financial & Operations Compliance;
5. Upon determination of all claims against e3m to the satisfaction of IIROC Staff, IIROC Staff may move, without notice to e3m, for an order terminating the membership of e3m;
6. Nothing in this order is intended to affect, alter or be inconsistent with the terms and conditions imposed upon e3m by the Ontario Securities Commission effective September 9, 2013, or any subsequent variation of or addition to those terms and conditions, which e3m is required to comply with until such time as the terms and conditions are removed; and
7. This Order shall come into effect immediately.

DATED at Toronto, Ontario, this 4th day of July, 2014.

Original Executed by:

"Paul Moore"

Paul Moore, Chair

"Mary Savona"

Mary Savona

"Michael Walsh"

Michael Walsh

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