



CIRO · OCRI

Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

**IN THE MATTER OF
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES
AND
RANDY BRYAN HILDEBRANDT**

NOTICE OF HEARING

An initial appearance will be held before a hearing panel of the Canadian Investment Regulatory Organization (“CIRO”)¹ pursuant to Rule 8200 of the Investment Dealer and Partially Consolidated Rules (the “Investment Dealer Rules”) to schedule a hearing in the matter of Randy Bryan Hildebrandt (the “Respondent”). The initial appearance and the hearing will be subject to Investment Dealer Rule 8400, as further referenced below, that governs the conduct of enforcement proceedings.

The initial appearance will be held by way of videoconference on Thursday, August 03, 2023 at 10:00 a.m. PT

The purpose of the hearing will be to determine whether the Respondent has contravened CIRO requirements. The alleged contraventions are contained in the attached Statement of Allegations.

If the hearing panel finds that the Respondent contravened CIRO requirements alleged in the Statement of Allegations, the hearing panel may impose one or more of the following sanctions pursuant to section 8210 of the Investment Dealer Rules:

- (i) a reprimand,
- (ii) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention,
- (iii) a fine not exceeding the greater of:
 - (i) \$5,000,000 for each contravention, and
 - (ii) an amount equal to three times the profit made or loss avoided by the person, directly or indirectly, as a result of the contravention.
- (iv) suspension of the person’s approval or any right or privilege associated with such approval, including access to a Marketplace, for any period of time and on any terms and conditions,
- (v) imposition of any terms or conditions on the person’s continued approval or continued access to a Marketplace,

- (vi) prohibition of approval in any capacity, for any period of time, including access to a Marketplace,
- (vii) revocation of approval,
- (viii) a permanent bar to approval in any capacity or to access to a Marketplace,
- (ix) permanent bar to employment in any capacity by a Regulated Person
- (x) any other sanction determined to be appropriate under the circumstances.

In addition, pursuant to section 8214 of the Investment Dealer Rules, a hearing panel may order the Respondent to pay any costs incurred by or on behalf of CIRO in connection with the hearing and any investigation related to the hearing.

The Respondent must serve a response to this Notice of Hearing in accordance with section 8415 within 30 days from the effective date of service of this Notice of Hearing. If the Respondent does not file a response in accordance with subsection 8415(1), the hearing panel may proceed with the hearing on its merits on the date of the initial appearance, without further notice to and in the absence of the Respondent, and the hearing panel may accept as proven the facts and contraventions alleged in the Statement of Allegations and may impose sanctions and costs.

If the Respondent files a response in accordance with subsection 8415(1), the initial appearance will be immediately followed by an initial prehearing conference, for which a prehearing conference form must be filed in accordance with subsection 8416(5).

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, and to make submissions to the hearing panel at the hearing.

DATED June 26, 2023.

“National Hearing Officer”
NATIONAL HEARING OFFICER
Canadian Investment Regulatory Organization
Suite 2000, 121 King Street West
Toronto, Ontario, M5H 3T9

¹On January 1, 2023, IIROC and the MFDA were consolidated into a single self-regulatory organization recognized under applicable securities legislation.

The Canadian Investment Regulatory Organization (“CIRO”) has adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the “Interim Rules”). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and the rules and certain by-laws and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the rules and by-laws and policies of the MFDA that were in force immediately prior to amalgamation have been incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules.

Section 1105 (Transitional provision) of the Investment Dealer and Partially Consolidated Rules sets out CIRO’s continuing jurisdiction, including that CIRO shall continue the regulation of any person subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada that was formerly conducted by the Investment Industry Regulatory Organization of Canada.



CIRO · OCRI

Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

**IN THE MATTER OF
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES
AND
RANDY BRYAN HILDEBRANDT**

STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated June 26, 2023, Enforcement Staff make the following allegations:

PART I – REQUIREMENTS CONTRAVENED

Between July 2019 and March 2020, Randy Bryan Hildebrandt (“Hildebrandt”), a registered representative of PI Financial Corp (“PI”) failed to adequately perform his role as gatekeeper to the capital markets by failing to make sufficient and reasonable or diligent inquiries in relation to client trading activity, contrary to Investment Dealer and Partially Consolidated Rule 1400.

PART II – RELEVANT FACTS AND CONCLUSIONS

Overview

1. Between July 2019 and March 2020, Hildebrandt failed in his gatekeeper obligations in facilitating the trading of securities of a small cap, junior issuer by a group of clients. Hildebrandt failed to adequately question the source of the shares received by a client, the relationship between a group of seemingly related clients, the economic rationale for the trading by those clients and the high concentration of holdings by the clients in a single issuer. The activity had the hallmarks of manipulative trading and warranted further questioning by Hildebrandt.

Background

2. Hildebrandt has been a registered representative (RR) in the Vancouver, British Columbia office of PI since October 2012. He had previously been registered with Union Securities starting in 2008.

VC Inc.

3. In July 2019, VC Inc. opened a corporate investment account (the “VC Account”) with PI and Hildebrandt. VC Inc. was identified on the New Account Application Form (NAAF) as an “Investment Holding Company”. MV was the president and sole shareholder of VC Inc. MV had personal and corporate accounts with Hildebrandt since 2017.
4. In March 2020, MV opened another investment account with PI and Hildebrandt in the name of LV Partners Inc. (the “LV Partners Account”).
5. On September 9, 2019, the VC Account received 3,600,000 shares of an listed issuer (the “Issuer”) via a Direct Registration System (DRS) transfer. This was the first transaction in the VC Account.
6. The Issuer was an exploration stage junior mining company engaged in the identification, acquisition, evaluation and exploration of gold, precious metals and base metal properties.
7. Hildebrandt advised representatives of PI that VC Inc. had previously purchased these shares and that neither VC Inc. nor MV had any connection to the Issuer. He also advised that VC Inc. and MV were aware of the risks of the concentration of the entire account in a single position.
8. Beginning on September 13, 2019, the VC Account began selling a significant portion of its Issuer shares. Although at times the VC Account purchased nominal additional shares of the Issuer, the majority of the activity consisted of sales of shares of the Issuer, followed immediately by the withdrawal of the proceeds from those sales.
9. Subsequent to the transfer in of the 3,600,000 Issuer shares, trading in the VC Account over the subsequent months was as follows:

	Bought	Sold	Weighted Average BUY price per Share	Weighted Average SELL price per Share	Nominal Value of BUYS	Nominal Value of SELLS
Sept '19	35,500	189,500	\$0.5395	\$0.5185	\$19,152.50	\$98,250.00
Oct '19	72,500	865,500	\$0.5332	\$0.5133	\$38,655.00	\$444,227.95
Nov '19	210,000	1,000,500	\$0.5795	\$0.5565	\$121,705.00	\$556,797.55
Dec '19	56,500	488,000	\$0.4915	\$0.2405	\$27,772.50	\$117,365.50
Jan '20	0	100,000	\$0	\$0.2156	\$0	\$21,555.00
TOTAL	374,500	2,643,500	\$0.5535	\$0.4684	\$207,285.00	\$1,238,196.00

10. In total, beginning in September 2019:

- a. The VC Account deposited 3,600,000 Issuer shares received via a DRS transfer;
- b. The VC Account acquired an additional 374,500 Issuer shares through market purchases at a total cost of \$207,285.00;
- c. The VC Account sold 2,643,500 Issuer shares for proceeds of \$1,238,196.00;
- d. VC Inc. withdrew \$1,010,374.58 from the VC Account. The VC Account paid \$10,063.74 in Early Settlement Fees, allowing the withdrawals to be processed immediately prior to settlement of the sell transactions;
- e. The VC Account made two transfers totaling 250,000 Issuer shares to another Hildebrandt client account;
- f. Another transfer of 250,000 Issuer shares from the VC Account to a different Hildebrandt client was initiated but subsequently cancelled;
- g. As outlined in further detail below, the VC Account also transferred 681,000 Issuer shares to MV's father's account;
- h. There were no cash deposits into the either the VC Account or the LV Partners Account at any time;

- i. The only other transaction in the VC Account were nominal purchases and sales of two other issuers, resulting in net losses of approximately \$8,000. There was no other trading activity in the LV Partners Account.

Additional MV Controlled Accounts

11. MV's father also had an account at PI (the "Father's Account") administered by Hildebrandt. Between August 2019 and December 2019, the Father's Account bought 56,500 Issuer shares at a total cost of \$29,218 and sold those shares for total proceeds of \$19,929, resulting in a loss of \$9,288.
12. In January 2020, MV was granted trading authority over the Father's Account. At the same time, the VC Account transferred 681,000 Issuer shares to the Father's Account. Of these, 636,500 Issuer shares were sold from Father's Account in February and March for total proceeds of \$67,765, followed immediately by withdrawals totalling \$44,738. The Father's Account paid \$264.99 in Early Settlement Fees, allowing the withdrawals to be processed immediately prior to settlement of the sell transactions.
13. In March 2020, MV opened the LV Partners Account with PI. On March 3, 2020, the LV Partners Account received warrants for 835,000 Issuer shares. These warrants were immediately exercised and 410,000 Issuer shares were sold between March 9 and March 17 for proceeds of \$35,888.50. These proceeds were withdrawn immediately via wire transfer or cheque to MV. The LV Partners Account paid \$353.49 in Early Settlement Fees, allowing the withdrawals to be processed immediately prior to settlement of the sell transactions.

Additional Accounts

14. Between July 2019 and November 2019, Hildebrandt opened seven additional accounts, each of which was referred to him by MV (collectively the "Referral Accounts"). MV also referred five additional individuals to Hildebrandt during this time, but no accounts were opened for these individuals.

15. The Referral Accounts all traded Issuer shares. In most cases, Issuer was the only holding in the Referral Accounts.
16. In September 2019, shortly after the 3,600,000 Issuer shares were deposited into the VC Account, an additional 2,279,000 Issuer shares were deposited via DRS transfer into two of the Referral Accounts.
17. In some cases, trades in the Issuer shares did not appear to be suitable for the clients. For example, in November 2019, CLM opened an account at PI with Hildebrandt. The NAAF indicated that she was referred by MV. The NAAF also indicated that CLM had \$100,000 in liquid assets and an annual income of \$37,000. Her investment knowledge was listed as "limited", with two years of experience investing in equities. Her risk tolerance and investment objectives were listed as 100% high and 100% short term.
18. On November 13 and 14, 2019, CLM deposited \$36,171.78 into the account. This represented over a third of her declared liquid assets and was roughly equivalent to her annual income.
19. On November 15, 2019, CLM bought 47,000 Issuer shares for a total of \$29,610.00. On November 18, 2019, CLM bought a further 9,000 Issuer shares for a total of \$5,850.00. These shares were purchased on the market with the seller being the VC Account. This represented the only activity in CLM's account.

Overall Hildebrandt Client Trading in the Issuer

20. Between September 2019 and January 2020, accounts for which Hildebrandt was the registered representative (including the VC Account, the Referral Accounts and other pre-existing accounts, collectively the "Hildebrandt Accounts") represented a significant majority of all buy and sell transactions in the Issuer shares. In addition, the Hildebrandt Accounts, and specifically the VC Account and the Father's Account, represented a significant majority of bids for the Issuer shares.
21. Between September 2019 and March 2020, a total of 11,767,152 Issuer shares were traded. Of these, the Hildebrandt Accounts accounted for 4,254,000 of the Issuer shares

sold (36.15% of all Issuer sells, including over 50% of the total sells during the months of September-December 2019 and March 2020) and 1,110,200 of the Issuer shares purchased (9.43% of all Issuer purchases).

22. Specifically, Hildebrandt Accounts accounted for the following:

	BUYS	SELLS	% of BUYS relative to Market Total	% of SELLS relative to Market Total	Total Volume of Market
September 2019	55,500	216,500	19.23%	75.00%	288,653
October 2019	133,000	916,000	9.19%	63.31%	1,446,915
November 2019	620,200	1,070,500	30.45%	52.56%	2,036,672
December 2019	83,000	764,000	6.00%	55.19%	1,384,272
January 2020	35,000	100,000	3.26%	9.31%	1,073,587
February 2020	183,500	512,000	4.29%	11.98%	4,274,296
March 2020	0	675,000	0%	53.45%	1,262,757
TOTAL (Sept 2019 – Mar 2020)	1,110,200	4,254,000	9.43%	36.15%	11,767,152

23. Commissions on the Issuer transactions in the Hildebrandt Accounts totaled \$24,347, of which Hildebrandt received 50%.

24. The trading in the Issuer shares raise a number of red flags suggesting a potential manipulation. Hildebrandt failed to recognize these flags and to ask appropriate questions to determine whether the trading activity was legitimate.

DATED at Toronto, Ontario this June 27, 2023.