



**CIRO · OCRI**

Canadian Investment  
Regulatory  
Organization

Organisme canadien  
de réglementation  
des investissements

**IN THE MATTER OF  
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES  
AND  
TEYMUR ENGLSBY AND CALE NISHIMURA**

**NOTICE OF HEARING**

An initial appearance will be held before a hearing panel of the Canadian Investment Regulatory Organization (“CIRO”)<sup>1</sup> pursuant to Rule 8200 of the Investment Dealer and Partially Consolidated Rules (the “Investment Dealer Rules”) to schedule a hearing in the matter of Teymur Englesby and Cale Nishimura (the “Respondents”). 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 Friday, November 10, 2023 at 10:00 a.m. PT

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

If the hearing panel finds that the Respondents 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 Respondents to pay any costs incurred by or on behalf of CIRO in connection with the hearing and any investigation related to the hearing.

The Respondents 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 Respondents do 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 Respondents, 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 Respondents file 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 Respondents are 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** September 27, 2023.

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

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<sup>1</sup>On 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.



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**STATEMENT OF ALLEGATIONS**

Further to a Notice of Hearing dated September 27, 2023, Enforcement Staff make the following allegations:

**PART I – REQUIREMENTS CONTRAVENED**

Between December 2017 and October 2018, the Respondents failed to fulfill their role as gatekeepers to the capital markets, contrary to Investment Dealer and Partially Consolidated Rule 1400.

**PART II – RELEVANT FACTS AND CONCLUSIONS**

**Overview**

1. Between December 2017 and October 2018, Teymur Englesby and Cale Nishimura (the “Respondents”) facilitated activity for several accounts (the “Clients”, the “Client Accounts”) which generated a number of indicators or red flags which suggested that the accounts may have engaged in suspicious activity.
2. The red flags included the deposit of share certificates in the Client Accounts and the sale of those securities in the days before or shortly after the deposits, followed by large withdrawals of the proceeds of the sale. Further, the trading in the Client Accounts was often uneconomic. The activity was out of line with the client’s normal and historical account activity, and was not consistent with the client’s know-your-

client information. The Respondents executed transactions in the Client Accounts without learning the necessary facts related to the Clients and the orders accepted.

3. These red flags should have caused the Respondents to question the Clients about the activity in the Client Accounts, however, the Respondents failed to do so.
4. By failing to make inquiries, the Respondents did not adequately fulfill their gatekeeper responsibilities.

### **Background**

5. Englesby became an RR in 2005 and has been employed at PI Financial Corp (“PI”) since 2009.
6. Nishimura is Englesby’s assistant. Nishimura has been registered as an RR at PI since 2012.

### **The Client Accounts**

7. Several of the Respondents’ clients were involved in the acquisition or private placement of 10 CSE issuers (the “Subject Issuers”). Shares in the Subject Issuers were deposited into the Client Accounts and liquidated. In most cases, the disposition of the shares was not profitable. In some instances, the profitability of the disposition cannot be determined because the Respondents did not inquire as to acquisition costs.
8. The Respondents did not:
  - (i) inquire about how any of the clients obtained their shares;
  - (ii) inquire about the clients’ acquisition price for the shares;
  - (iii) inquire about whether any of the clients had any relation to the Subject

- Issuers; or
- (iv) review Form 9 documents.<sup>1</sup>

9. The Respondents simply executed the sell orders from the clients.

### Uneconomic Trading

10. During the Relevant Period, the Respondents' client CP and CP's corporation ("CP Corp") sold shares of the Subject Issuers as follows:

<b>Subject Issuer</b>	<b>Profit/Loss</b>
Affinor Growers Inc. (AFI)	<b>(\$150,261)</b>
Green 2 Blue Energy Corp (GTBE)	<b>(\$718,979)<sup>2</sup></b>
Beleave Inc. (BE)	<b>(\$751,076)</b>
Cryptoblok Technologies Corp (CRYP)	<b>\$10,611</b>
Preveceutical Medical Inc. (PREV)	<b>\$88,381</b>
Speakeasy Cannabis Club Ltd. (EASY)	<b>(\$281,106)</b>
Kootenay Zink (ZNK)	<b>\$171,445</b>
Marapharm Ventures Inc. (MDM)	<b>(\$208,288)</b>

11. The cumulative losses for CP and CP Corp in the Subject Issuers during the Relevant Period was \$1,839,274.

12. Examples of uneconomic trading include the following:

- (i) Affinor Growers Inc. ("AFI"): On April 17, 2018, CP deposited 1,000,000 AFI shares documented on Form 9 as purchased for \$0.16 per share at a

<sup>1</sup> Form 9 – "Notice Of Issuance Or Proposed Issuance Of Listed Securities," This Form is for a proposed issuance of listed securities, or securities convertible or exchangeable into listed securities. The Form includes details of the transaction, including the names of parties receiving securities, the quantity of securities, dollar value, prospectus exemption and relationship to the issuer: <<https://thecse.com/en/services/listing-cse/forms>>.

<sup>2</sup> The loss calculation includes 400,000 shares purchased on open market, in addition to 5,000,000 deposited shares.

total cost of \$160,000. Between April 17<sup>th</sup> and April 19<sup>th</sup>, 2018, CP sold 1,040,500 AFI shares for prices ranging from \$0.105 to \$0.12 per share for total proceeds of \$116,925.

- (ii) Green 2 Blue Energy Corp (“GTBE”): On April 17, 2018, CP deposited 5,000,000 GTBE shares documented on Form 9 as purchased for \$0.30 per share and purchased 400,000 GTBE shares for \$0.32 per share at a total cost of \$1,626,592. Between April 17<sup>th</sup> and April 19<sup>th</sup>, 2018, CP sold 5,400,000 GTBE shares for prices ranging from \$0.145 to \$0.30 per share for total proceeds of \$907,613.01.
- (iii) Beleave Inc. (“BE”): CP short sold BE prior to depositing shares in the account. On May 7<sup>th</sup>, 2018, CP deposited 571,426 BE shares documented on Form 9 as purchased for \$1.75 per share. On May 3<sup>rd</sup> and May 4<sup>th</sup>, 2018, prior to the deposit, CP short sold a total of 400,000 shares for prices ranging from \$1.21 to \$1.31. On May 7, 2018, CP sold another 81,429 shares for prices ranging from \$1.20 to \$1.26. Total proceeds from the sale of 481,429 shares were \$598,942. The total cost of the 481,429 shares was \$842,500.80.

## **Potential Red Flags**

### **A) Activity Inconsistent with Apparent Financial Standing**

- 13. CP Corp regularly had a month-end account balance that exceeded both its documented liquid assets and net worth. In February 2018, the liquid assets were documented at \$50k with a net worth at \$55k. In August 2018, the liquid assets were updated to \$1 million with a net worth of \$1.005 million. In June and July 2018, the month-end account balance was over \$2 million. Activity included over \$1 million of withdrawals in April, May and June 2018.

	Month End Equity	Cash Withdrawals	Market Value of Share Deposits	KYC Liquid Assets	KYC Net Worth
March 2018	\$849,197.61	\$0.00	\$869,999.94	\$50,000.00	\$55,000.00
April 2018	\$263,295.25	\$1,927,845.61	\$2,155,625.00	\$50,000.00	\$55,000.00
May 2018	\$286.52	\$1,290,600.00	\$685,714.80	\$50,000.00	\$55,000.00
June 2018	\$2,198,990.71	\$1,400,000.00	\$3,700,000.06	\$50,000.00	\$55,000.00
July 2018	\$2,569,592.67	\$0.00	\$857,142.50	\$50,000.00	\$55,000.00
August 2018	\$364,090.63	\$2,300,000.00	\$0.00	\$1,000,000.00	\$1,005,000.00
September 2018	\$339,627.94	\$0.00	\$0.00	\$1,000,000.00	\$1,005,000.00
October 2018	\$179,913.13	\$100,000.00	\$0.00	\$1,000,000.00	\$1,005,000.00

**B) Significant Change in Activity**

14. Prior to February 2018, client CP had not deposited physical shares to his account, the account value was maintained under \$150K and transactions overall were relatively infrequent. CP Corp account was opened in February 2018.

	CP – Month End Equity	CP - Market Value of Share Deposits	CP Corp - Month End Equity	CP Corp - Market Value of Share Deposits
May 2016	\$6,010.00	\$0.00	N/A	N/A
June 2016	\$16,668.07	\$0.00	N/A	N/A
July 2016	\$16,668.07	\$0.00	N/A	N/A
August 2016	\$10,000.00	\$0.00	N/A	N/A
September 2016	\$16,330.00	\$0.00	N/A	N/A
October 2016	\$14,010.00	\$0.00	N/A	N/A
November 2016	\$15,790.00	\$0.00	N/A	N/A
December 2016	\$16,390.00	\$0.00	N/A	N/A
January 2017	\$22,590.00	\$0.00	N/A	N/A

<b>February 2017</b>	\$27,420.00	\$0.00	N/A	N/A
<b>March 2017</b>	\$25,770.00	\$0.00	N/A	N/A
<b>April 2017</b>	\$20,932.69	\$0.00	N/A	N/A
<b>May 2017</b>	\$139,006.44	\$0.00	N/A	N/A
<b>June 2017</b>	\$118,856.44	\$0.00	N/A	N/A
<b>July 2017</b>	\$132,556.44	\$0.00	N/A	N/A
<b>August 2017</b>	\$132,556.44	\$0.00	N/A	N/A
<b>September 2017</b>	\$136,556.44	\$0.00	N/A	N/A
<b>October 2017</b>	\$133,456.44	\$0.00	N/A	N/A
<b>November 2017</b>	\$105,150.19	\$0.00	N/A	N/A
<b>December 2017</b>	\$56,353.99	\$0.00	N/A	N/A
<b>January 2018</b>	\$53,772.96	\$0.00	N/A	N/A
<b>February 2018</b>	\$474,601.11	\$450,000.00	\$1.00	\$0.00
<b>March 2018</b>	\$104,006.75	\$0.00	\$849,197.61	\$869,999.94
<b>April 2018</b>	\$81,828.69	\$0.00	\$263,295.25	\$2,155,625.00
<b>May 2018</b>	\$76,798.33	\$1,061,666.84	\$286.52	\$685,714.80
<b>June 2018</b>	\$73,764.81	\$0.00	\$2,198,990.71	\$3,700,000.06
<b>July 2018</b>	\$68,897.82	\$0.00	\$2,569,592.67	\$857,142.50
<b>August 2018</b>	\$72,412.36	\$0.00	\$364,090.63	\$0.00
<b>September 2018</b>	\$72,412.36	\$0.00	\$339,627.94	\$0.00
<b>October 2018</b>	\$63,470.14	\$0.00	\$179,913.13	\$0.00

15. Gross revenue generated by CP and CP Corp accounts also increased in 2018 compared to previous years, which corresponds with the increased activity:

<b>Account</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Client CP	890	2310	12960
CP Corp	N/A	N/A <sup>3</sup>	79392

<sup>3</sup> CP Corp account was opened in February 2018.

16. Englesby received monthly commission summaries via email which highlighted the top 10 clients by revenue generated year-to-date (“YTD”). Beginning March 2018 and continuing through the end of the calendar year, this client was listed among the top 10 YTD generators each month, often as #1 or 2 on the list.

**C) Failure to Make Reasonable Inquiries**

17. The Respondents demonstrated a lack of knowledge about certain details involving their clients.
18. Client YK was documented as a student/homemaker with \$2 million in liquid assets, \$200,000 in annual income and held a corporate account documented to have \$2.5 million in liquid assets. Englesby did not ask about the source of funds for these accounts or why the client held them.
19. In December 2017, client YK received 500,000 shares of Abattis Bioceuticals Corp (“ATT”) from an unrelated corporate account controlled by the CEO of ATT. The client promptly sold the shares. The Respondents had no explanation of why the shares were sent or the nature of the relationship between the two corporate accounts. ATT sent a request to the client to complete an Irrevocable Undertaking letter which stated that the client would deliver a share certificate for 500,000 shares of ATT to the CEO’s corporate account which included a prohibition of trading the security until February 13, 2018. Englesby forwarded the letter to his client but did not ask any questions about the transaction.
20. On April 3, 2018, client JL deposited 4,000,0000 shares of ATT to his account and sold a total of 1,843,500 between April 3 and 5, 2018. On April 5, 2018, Englesby submitted a withdrawal of the remaining 2,156,500 shares on behalf of the client. Englesby did not ask why the client withdrew the shares two days after their deposit.

21. In June 2018, client BB emailed a consulting agreement and a stock option plan with New Point Exploration Corp (“NP”) to Englesby and asked him to print off the documents. Englesby indicated to Staff that he had “no idea” why the client asked him to print the documents. Englesby did not have any discussion with the client about his consulting for the Subject Issuer, how he acquired stock options, and didn’t ask if he was consulting for any other any other companies. On August 9, 2018, client BB deposited 1,208,000 shares of NP to his corporate account. On Aug 10, 2018, client BB transferred 325,000 shares to a third-party account, which was also an Englesby client. The client sold the remaining NP shares before month-end, and the other account sold the shares upon receipt. Englesby indicated to Staff that he didn’t know what the relationship was between client BB and the third-party account, nor did he ask any questions about the transfer.
  
22. Prior to working with Englesby, client VT held a personal account with another PI broker, Tiffany Sweeney (“Sweeney”). The client’s December 2017 account documentation with Sweeney indicated liquid assets of \$500K. When he transferred the account to Englesby in July 2018 it was re-documented with liquid assets of \$3M. Englesby indicated to Staff that he “didn’t notice” the increase from \$500,000 to \$3M when they re-documented the account in July 2018 and didn’t know the reasoning behind the increase.

### **Commissions**

23. During the Relevant Period, the total gross commission generated by the Clients through the sale of deposited shares in the Subject Issuers with Englesby was \$147,081.91. Englesby’s payout was 50%, equal to \$73,540.96. Nishimura’s payout was 4% of Mr. Englesby’s net, equal to \$2,941.64.

**DATED** at Toronto, Ontario this 27 day of September, 2023.