

Re Leede Jones Gable Inc.

IN THE MATTER OF:

**The Investment Dealer and Partially Consolidated Rules and
the Universal Market Integrity Rules**

and

Leede Jones Gable Inc.

2024 CIRO 07

Canadian Investment Regulatory Organization
Hearing Panel (Pacific District)

Heard: December 5, 2023 in Vancouver, British Columbia (via videoconference)

Decision: December 5, 2023

Reasons for Decision: January 12, 2024

Hearing Panel:

Susan E. Ross, Chair, Lloyd Costley and Richard Thomas

Appearances:

Lorne Herlin, Enforcement Counsel

Dana Prince, for Leede Jones Gable Inc.

DECISION ON ACCEPTANCE OF SETTLEMENT AGREEMENT

INTRODUCTION

¶ 1 This Hearing Panel held a settlement hearing to consider whether to accept a settlement agreement dated November 14, 2023, between Enforcement Staff of the Canadian Investment Regulatory Organization (“CIRO”) and the Respondent, Leede Jones Gable Inc. (“Settlement Agreement”).

¶ 2 The Settlement Agreement was reached and the hearing conducted pursuant to section 8215 (Settlements and Settlement Hearings) and section 8428 (Settlement Hearings) of the Investment Dealer and Partially Consolidated Rules (“IDPC Rules”).

¶ 3 The Respondent is a Dealer Member with its head office in Calgary, Alberta and business locations across Canada, including one in Vancouver, British Columbia. In the Settlement Agreement, the Respondent admitted three separate contraventions:

- (a) failure to adequately supervise a Registered Representative, Larry Martin, by failing to adequately address red flags associated with five corporate investment accounts;
- (b) failure to rectify a deficiency in the Respondent’s compliance with requirements of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (“PCMLTFA”) and associated regulations; and
- (c) failure to comply with the requirement to enter trades in a security on a marketplace.

¶ 4 The sanction and costs agreed to in the Settlement Agreement are:

- (a) a fine in the amount of \$150,000; and

(b) costs in the amount of \$15,000.

¶ 5 As provided in sections 8203(5)(i) and 8215(2)(vi) of the IDPC Rules, the Settlement Agreement was conditional on acceptance by a hearing panel, and the settlement hearing was closed to the public until the Settlement Agreement was accepted.

¶ 6 At the conclusion of the hearing, we accepted the Settlement Agreement with reasons to follow. These are our reasons for decision.

AGREED FACTS

¶ 7 The agreed facts are set out in full in Part III of the attached Settlement Agreement. They break down into the three areas of admitted non-compliance: inadequate supervision of a Registered Representative, failure to rectify an Organizational Risk Assessment, and failure to place orders on a marketplace.

INADEQUATE SUPERVISION OF LARRY MARTIN

¶ 8 On November 19, 2021, a hearing panel of the Investment Industry Regulatory Organization of Canada (“IIROC”), one of the predecessors of CIRO, accepted a settlement agreement between Enforcement Staff and Larry Martin, a Registered Representative with the Respondent’s Vancouver office. That settlement agreement dealt with Martin’s handling of five corporate investment accounts (“Corporate Accounts”).

¶ 9 One of the Corporate Accounts was for CMGT Inc. The New Client Account Form (“NCAF”) for the CMGT Inc. account indicated that its head office was in the Cayman Islands, it was an investing business, and its beneficial owner was Oliver-Barret Lindsay. Unknown to Larry Martin and the Respondent, CMGT Inc. was a Cayman Islands based broker-dealer owned by Oliver-Barret Lindsay. This information was obtainable by an internet search.

¶ 10 The Corporate Accounts generated red flags suggesting that they may have engaged in suspicious activity. Larry Martin admitted that he failed to fulfill his gatekeeper responsibilities by failing to make further investigation and review respecting the Corporate Accounts between April 2016 and October 2018.

¶ 11 The Respondent was responsible for supervising the activities of all its Registered Representatives. It failed to adequately supervise Larry Martin by not adequately questioning red flags generated by the Corporate Accounts. In particular:

- (a) the Respondent did not question that the NCAFs for two of the Corporate Accounts indicated multiple foreign jurisdictions associated with each of them and that account information changes were made to some of those associations in 2017 and 2018.
- (b) the Respondent’s Compliance Department made only two inquiries regarding numerous large share deposits in the Corporate Accounts that were sold before or shortly after being deposited;
- (c) The Respondent’s Compliance Department made only a single inquiry regarding the frequency of deposits and withdrawals in the Corporate Accounts, when all or most of the proceeds of the sale of shares in the accounts were transferred out shortly afterward on numerous occasions, and little if any funds were transferred into the accounts; and
- (d) The Respondent’s Compliance Department made only a single inquiry regarding the value of the assets in one of the Corporate Accounts being significantly higher than the stated value of liquid assets in its NCAF, when the assets in four of the Corporate Accounts were significantly higher than the stated value of liquid assets in their NCAFs over many months between 2016 and 2018.

FAILURE TO RECTIFY ORGANIZATIONAL RISK ASSESSMENT

¶ 12 In 2016, the Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”) reviewed the Respondent’s compliance with the PCMLTFA and associated regulations and informed the Respondent that it had identified two deficiencies that resulted in significant non-compliance with the PCMLTFA.

¶ 13 One of the deficiencies related to the Respondent’s Organizational Risk Assessment. The PCMLTFA

regulations required the Respondent to assess and document the risk of a money laundering offence or a terrorist financing offence during its activities. The Respondent had procedures to assess and document risks of money laundering, but its Organizational Risk Assessment was deficient because it failed to assess specific risks of money laundering and terrorist financing to the standard required by the PCMLTFA.

¶ 14 The PCMLTFA regulations required the Respondent to review the effectiveness of its program for compliance with the PCMLTFA every two years. The Respondent retained a consultant to conduct the required reviews. In December 2016, December 2018 and December 2020, the consultant rendered detailed Compliance Effectiveness Reports indicating that the Respondent's Organizational Risk Assessment was deficient. However, the Respondent did not revise its Organizational Risk Assessment to rectify the deficiency until April 2022.

FAILURE TO PLACE ORDERS ON A MARKETPLACE

¶ 15 In 2017, the Respondent approved four share transfers from corporate accounts to unrelated third-party accounts. All account holders involved were venture capital consultants and in each case the letter of authorization indicated that the reason for the transfer was to "settle debts" between the two parties.

¶ 16 The Respondent's Trade Supervision Policy Manual required money and securities transfers between accounts of unrelated parties to be closely reviewed and subjected to compliance pre-approval to ensure that they did not constitute prohibited off-market trades.

¶ 17 The Respondent approved the four inter-account transfers even though they did not qualify for a regulatory exemption from the requirement in the Universal Market Integrity Rules ("UMIR") that all trades must be entered on a marketplace.

OTHER FACTORS

¶ 18 The Respondent has taken steps to enhance its compliance program that include hiring additional compliance staff and implementing new systems to better track and monitor trading.

¶ 19 The Respondent has also implemented a new Organizational Risk Assessment and updated its policies and procedures to align with the risks identified in the Organizational Risk Assessment.

¶ 20 The FINTRAC review and compliance reports did not find any evidence of money laundering or terrorist finance activity.

THE CONTRAVENTIONS

¶ 21 The Respondent has agreed that it committed the following contraventions:

- (a) between April 2016 and October 2018, the Respondent failed to adequately supervise the activities of Registered Representative Larry Martin to ensure compliance with Dealer Member Rules 38 and 2500¹;
- (b) between November 2016 and April 2022, the Respondent failed to have adequate policies to ensure compliance with the requirement under the PCMLTFA and associated regulations, contrary to Dealer Member Rules 38 and 2500 (before January 1, 2022) and IDPC Rules 2500 and 3900 (from January 1, 2022); and
- (c) In August 2017 and December 2017, the Respondent participated in trades in securities by means other than the entry of an order on a marketplace, contrary to UMIR section 6.4.

¶ 22 Dealer Member Rule 38 required the Respondent to establish and maintain a system to supervise each Registered Representative that was reasonably designed to achieve compliance with the Dealer Member Rules.

¹ On December 31, 2021, the IIROC Dealer Member Rules were repealed and replaced by the IIROC Consolidated Enforcement, Examination and Approval Rules, and Continuing Education Rules, which became part of the IDPC Rules on January 1, 2023, when IIROC and the Mutual Fund Dealers Association of Canada were consolidated into the single self-regulatory organization, the Canadian Investment Regulatory Organization.

IDPC Rule 3900 is substantially the same as Dealer Member Rule 30.

¶ 23 Dealer Member Rule 2500 detailed minimum standards for the structural features and operational outcomes expected of the Respondent's supervisory system to ensure the proper supervision of retail customer account activity. IDPC Rule 2500(3) requires the Respondent to ensure that each of its Approved Persons complies with all applicable CIRO requirements.

¶ 24 UMIR section 6.4(1) contains the prohibition that: "A Participant² acting as principal or agent may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace." UMIR section 6.4(2)(a) to (k) and (3) then describe a series of exemptions from this prohibition.

¶ 25 We noted that the Settlement Agreement contains limited details of the four off-market share transfers that were approved by the Respondent when they did not qualify for any of the exemptions from the prohibition in UMIR section 6.4(1). When queried about this, the parties explained that there may be circumstances where commercial parties can settle a debt through the transfer of shares with, or without, an exemption from UMIR section 6.4(1). However, the parties confirmed their agreement that the transactions approved by the Respondent in the Settlement Agreement fell under UMIR 6.4 and did not qualify for any exemption for the Respondent to facilitate off the floor trades.

ANALYSIS

ROLE OF THE HEARING PANEL

¶ 26 A hearing panel may accept or reject a settlement agreement, after a settlement hearing (IDPC Rule 8215(5)). We have no authority to modify the Settlement Agreement or to consider facts outside the Settlement Agreement without the consent of the parties (IDPC Rule 8428(6)). Our role is to decide whether the proposed sanctions fall within a reasonable range of appropriateness, not whether we would have imposed the same sanctions as those negotiated by the parties in the Settlement Agreement.

¶ 27 Enforcement Counsel referred us to several hearing panel decisions explaining the principles that guide our role all of which stem from *Re Milewski*, [1999] IDACD No. 17, where the hearing panel stated that:

Although a settlement agreement must be accepted by a District Council before it can become effective, the standards for acceptance are not identical to those applied by a District Council when making a penalty determination after a contested hearing. In a contested hearing, the District Council attempts to determine the correct penalty. 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.

¶ 28 In exercising our role, we considered the facts in the Settlement Agreement, the Sanction Guidelines, the parties' submissions, and comparable settlement decisions provided to us by Enforcement Counsel.

THE SANCTION GUIDELINES

¶ 29 The Sanction Guidelines, while non-exhaustive and non-binding on hearing panels, are intended to reinforce consistency, fairness and transparency in the sanctioning process. They cover such principles as the expectation that sanctions are preventative, not punitive; that offenders should not be able to benefit financially from their misconduct; that multiple violations should be sanctioned proportionately to the totality of the misconduct; and that repeat offenders should be treated more severely.

¶ 30 The Sanction Guidelines explain that sanctions should address specific and general deterrence, weigh

² UMIR section 1 defines "Participant" to include a dealer registered in accordance with securities legislation in any jurisdiction who is a member of an exchange, user of a QTRS, or subscriber of an ATS.

relevant mitigating and aggravating factors, and conform to sanctions in comparable prior cases. They list key factors that are commonly considered when determining appropriate sanctions. The listed factors, not all of which will apply to every case, include the number, size, extent and duration of the transactions in issue, whether there was a pattern of misbehaviour, the extent of harm caused by the misconduct, the vulnerability of victims, whether there have been efforts to compensate victims, whether the respondent has a relevant prior disciplinary history, whether the misconduct was intentional, wilfully blind or reckless respecting regulatory requirements, and whether the misconduct occurred notwithstanding prior warnings from regulators or supervisors.

¶ 31 When the sanctions are pursuant to a settlement agreement, the sanctioning process is also affected by the limitations on our role as a hearing panel and our recognition that the proposed sanctions were arrived at through the give and take of negotiations between the parties.

¶ 32 The terms of settlement agreed to by the parties in this case are:

- (a) a fine in the amount of \$150,000; and
- (b) costs in the amount of \$15,000.

¶ 33 We agree with Enforcement Counsel that the number of transactions across three distinct areas of contravention constituted multiple acts and a pattern of misconduct by the Respondent. The failure to adequately supervise Larry Martin occurred over 31 months from April 2016 to October 2018; the failure to rectify the Organizational Risk Assessment spanned six years from 2016 to 2022; the four prohibited off-market share transfers occurred in August and December 2017. The contraventions were an extended period of misconduct and the Respondent failed to rectify its Organizational Risk Assessment despite warnings by FINTRAC and the Respondent's own consultant. Enforcement Counsel submitted that the misconduct was serious despite being negligent and not intentional. We agree. In 2015, the Respondent agreed to pay a \$90,000 fine and \$10,000 costs for failing to properly supervise a different Registered Representative who had employed an aggressive trading strategy respecting four clients that resulted in suitability, discretionary trading, and excessive trading violations. This is a relevant disciplinary history. Collectively, these factors point to serious misconduct warranting significant sanctions.

¶ 34 There are also factors on the mitigating side. The review and reports by FINTRAC and the Respondent's consultant did not find evidence of money laundering or terrorist financing activity. The Respondent implemented a new Organizational Risk Assessment and updated its policies and procedures accordingly. It also made enhancements to its compliance program that include hiring additional compliance personnel and implementing new and better systems for tracking and monitoring trading. The Respondent also entered in the Settlement Agreement before issuance of a statement of allegations which reduced the expenditure of regulatory resources and led to a more expeditious resolution of this matter.

PRIOR SETTLEMENT DECISIONS

¶ 35 Enforcement Counsel cited five prior settlement decisions in which investment dealers failed in their supervisory responsibilities: *Re CIBC World Markets Inc.* 2012 IIROC 57; *Re RBC Dominion Securities* 2014 IIROC 25; *Re Mackie Research Capital* 2015 IIROC 24; *Re PEAK Securities Inc.* 2020 IIROC 36; and *Re Mackie Research Capital* 2020 IIROC 42. The fines in these settlement cases ranged from \$75,000 to \$130,000. The cited decisions have similarities to this case but, as is to be expected, they also have unique features of their own.

¶ 36 *Re CIBC World Markets Inc.*, where a \$85,000 fine was imposed, involved inadequate supervision of a Registered Representative's unsuitable options trading for two clients over a period of 42 months. *Re RBC Dominion Securities*, where a \$90,000 fine was imposed, involved inadequate supervision of a Registered Representative's recommendation of unsuitable, high-risk investments to 37 clients over a period of 17 months. *Re Mackie Research Capital* (2015), where a \$130,000 fine was imposed, involved three distinct contraventions. The respondent failed to disclose to that one of its Registered Representatives had a financial interest in certain investment products being sold over period of 7 months, failed to ensure that its National Registration Database filings were current for a period of 12 months, and failed to properly supervise a Registered

Representative's charging of grossly excessive commissions to a client over a period of 37 months. *Re PEAK Securities Inc.*, where two fines totalling \$130,000 were imposed, involved failure to establish and maintain a system for adequate supervision of employees' accounts and activities over a period of 28 months and a system for internal controls and monitoring of fees to prevent overbilling over a period of 77 months. *Re Mackie Research Capital (2020)*, where a \$75,000 fine was imposed, involved failure to adequately supervise a Registered Representative who employed an unsuitable high-risk investment strategy in five managed client accounts over a period of 54 months. In that case, the respondent had revised the NCAFs for the relevant accounts and compensated the clients for the substantial losses in their accounts before the regulatory investigation started.

¶ 37 Turning to this case, the \$150,000 fine proposed in the Settlement Agreement exceeds the highest fine in the prior settlement decisions cited to us. There are three distinct areas of misconduct involving multiple transactions and occurring over an extended period of time. The Respondent failed to rectify non-compliance despite regulatory and supervisory warnings. It also has a relevant disciplinary history of failing to adequately supervise the trading strategy of a Registered Representative.

¶ 38 Although there are also some mitigating factors, in our view, the nature, extent, duration and other relevant circumstances surrounding the Respondent's contraventions weigh in favour of a high sanction. We conclude that the proposed fine reflects the severity of the contraventions and is properly within a reasonable range of sanctions.

CONCLUSION

¶ 39 We approved the Settlement Agreement on December 5, 2023, the date of the settlement hearing.

¶ 40 In accordance with the terms of the Settlement Agreement, the agreed sanction and costs were payable within 30 days of our acceptance of the Settlement Agreement unless otherwise agreed to by Enforcement Staff and the Respondent.

Dated at Vancouver, British Columbia, this 12 day of January 2024.

"Susan E. Ross" _____

Susan E. Ross, Chair

"Lloyd Costley" _____

Lloyd Costley

"Richard Thomas" _____

Richard Thomas

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SETTLEMENT AGREEMENT

IN THE MATTER OF:

THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES

AND

THE DEALER MEMBER RULES

AND

THE UNIVERSAL MARKET INTEGRITY RULES

AND

LEEDE JONES GABLE INC.

PART I – INTRODUCTION

¶ 1 The Canadian Investment Regulatory Organization (“CIRO”) will issue a Notice of Application to announce a settlement hearing pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the “Investment Dealer Rules”) to consider whether a hearing panel should accept this Settlement Agreement between Enforcement Staff and the Respondent, Leede Jones Gable Inc. (“Leede”).

PART II – JOINT SETTLEMENT RECOMMENDATION

¶ 2 Enforcement Staff and Leede 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, Leede agrees with the facts as set out in Part III of this Settlement Agreement

Overview

¶ 4 Leede failed to adequately supervise Larry Martin (“Martin”), a Registered Representative, by failing to adequately address the red flags associated with five investment accounts.

¶ 5 Also, in November 2016 the Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”) identified a deficiency with Leede’s compliance with the requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (the “PCMLTFA”) and its associated regulations. Leede failed to rectify the deficiency until April 2022.

¶ 6 Finally, on four occasions Leede permitted the transfer of shares from accounts at Leede to unrelated third-party accounts at Leede. By doing so, Leede failed to comply with the requirement to enter trades in a security on a marketplace.

Background

¶ 7 Leede is a Dealer Member with its head office in Calgary, Alberta, and business locations across Canada, including one in Vancouver, British Columbia.

A. Failure to Supervise Martin

¶ 8 Since 2004, Martin has worked at Leede as a Registered Representative (Securities, Retail), Executive, and Director at Leede’s Vancouver business location.

¶ 9 On November 19, 2021, an IIROC Hearing Panel accepted a Settlement Agreement between Enforcement Staff and Martin (the “Martin Settlement Agreement”) which dealt with Martin’s handling of a group of four corporate investment accounts and the investment account of CMGT Inc. (the “CMGT Account”).

¶ 10 The four corporate investment accounts were an account for:

- T Corp. (the “T Account”) that was opened in June 2016;
- H Ltd. (the “H Account”) that was opened in April 2017;

- K Ltd. (the “K Account”) that was opened in May 2017; and
- J Corp. (the “J Account”) which was opened in March 2018 (collectively, the “Corporate Accounts”).

¶ 11 The CMGT Account was opened in April 2016.

¶ 12 The New Client Account Form (“NCAF”) for the CMGT Account indicated that:

- it had its head office in the Cayman Islands;
- it was in the investing business; and
- Oliver-Barret Lindsay (“Lindsay”) was the beneficial owner of the CMGT Account.

¶ 13 However, unbeknownst to Martin and Leede, CMGT was a Cayman Islands based broker-dealer which Lindsay owned. This information was obtainable by way of an internet search.

¶ 14 As detailed in the Martin Settlement Agreement, the activity in the Corporate Accounts and the CMGT Account generated several indicators or red flags which suggested that they may have engaged in activity that was suspicious.

¶ 15 These red flags at a minimum should have caused Martin to question the clients about the activity in the accounts.

¶ 16 By failing to make further review and investigation, Martin admitted that between April 2016 and October 2018 he failed to fulfill his gatekeeper responsibilities, contrary to Dealer Member Rule 29.1 (before September 1, 2016) and Rule 1400 of the Consolidated Enforcement, Examination and Approvals Rules (after September 1, 2016).

¶ 17 Leede was responsible for supervising the activities of all its registered representatives, including Martin. Leede failed to adequately supervise Martin because it did not adequately question the following red flags that the Corporate Accounts and the CMGT Account generated.

(i) Multiple Foreign Jurisdictions Associated with Two of the Corporate Accounts

¶ 18 The H Account and the K Account had multiple foreign jurisdictions associated with each of them.

H Account

¶ 19 The NCAF that was completed for the H Account indicated that:

- it was a holding company incorporated in the Marshall Islands;
- its corporate mailing address was in the United Kingdom;
- its corporate bank account was at a financial institution in St. Vincent and the Grenadines;
- RW was the sole owner of H Ltd.;
- RW was the beneficial owner of the H Account; and
- RW was a Canadian citizen who resided in the Czech Republic.

¶ 20 In November 2017, the corporate mailing address for the H Account was changed to an address in Australia.

¶ 21 In December 2017, the corporate bank account for the H Account was changed to a financial institution in Canada.

K Account

¶ 22 The NCAF that was completed for the K Account indicated that:

- it was an equity investment and holding company incorporated in Hong Kong;
- its corporate mailing address was in Hong Kong;
- its corporate bank account was with a financial institution in St. Vincent and the Grenadines;
- GZ was the sole owner of K Ltd.;

- GZ was the beneficial owner of the K Account;
- GZ was a citizen of and lived in Switzerland; and
- RW was the president of K Ltd., and as noted above, RW was a Canadian citizen who resided in the Czech Republic.

¶ 23 In June 2018, an updated NCAF was completed for the K Account which indicated that K Ltd. was incorporated pursuant to the laws of the Republic of Marshall Islands and that the address of the head office was still located in Hong Kong.

¶ 24 In July 2018, the K Account changed its corporate bank account to a financial institution in Canada.

¶ 25 Leede did not question the fact that the H Account and the K Account had multiple foreign jurisdictions associated with each of them, nor did it question the changes made to their account information.

(ii) Deposit and Sale of Large Amounts of Shares

¶ 26 As detailed in Schedule “A”, large amounts of shares of companies that were listed on the:

- Canadian Securities Exchange were deposited into the Corporate Accounts; and
- OTC Markets Group in the United States were deposited into the CMGT Account.

¶ 27 For the most part the shares were sold before or shortly after they were deposited.

¶ 28 The Leede Compliance Department only made two inquiries regarding the deposits of shares.

(iii) Proceeds of Sale of Shares Were Transferred Out Shortly After Sale

¶ 29 As detailed in Schedule “A”, on numerous occasions shortly after the shares were sold, all or most of the proceeds from the sales were transferred out of the Corporate Accounts and the CMGT Account.

¶ 30 Further, as detailed in Schedule “B”, little if any funds were deposited into the Corporate Accounts and the CMGT Account.

¶ 31 In particular, between December 2017 and October 2018:

- \$186,800 was deposited into the T Account and \$1,466,799 was withdrawn;
- \$30,500 was deposited into the H Account and \$681,500 was withdrawn;
- no funds were deposited into the K Account and \$801,700 was withdrawn; and
- \$154,100 was deposited into the J account and \$294,787 was withdrawn.

¶ 32 Between June 2016 to July 2018, \$30,000 USD was deposited into the CMGT Account and \$5,439,000 USD was withdrawn.

¶ 33 The Leede Compliance Department only made one inquiry regarding the frequency of deposits and withdrawals.

(iv) Assets in Some of the Accounts were Significantly Higher than the Stated Value in NCAFs

¶ 34 As detailed in Schedule “C”, in the 11 months between December 2017 and October 2018, the value of the holdings in the T Account, H Account, and K Account were often significantly higher than the stated value of the estimated net liquid assets in their NCAFs.

¶ 35 As detailed in Schedule “D”, for each month between August 2016 and July 2018, the value of the month-end assets in the CMGT Account were significantly higher than the \$2,000,000 in estimated net liquid assets that were listed in the NCAF for the CMGT Account.

¶ 36 The Leede Compliance Department only made one inquiry regarding the fact that the value of the assets in one of the Corporate Accounts were significantly higher than the stated value of their liquid assets.

B. Failure to Revise Organizational Risk Assessment in a Timely Manner

¶ 37 In October 2016, FINTRAC reviewed Leede's compliance with the requirements under the PCMLTFA and

its associated regulations.

¶ 38 In November 2016, FINTRAC informed Leede that the review identified two deficiencies which resulted in significant non-compliance with the *PCMLTFA*.

¶ 39 One of the deficiencies was in relation to Leede’s Organizational Risk Assessment.

¶ 40 Pursuant to the *PCMLTFA* Regulations, Leede is obligated to assess and document the risk of a money laundering offence or a terrorist financing offence in the course of its activities.

¶ 41 Although Leede had procedures to assess and document risks of money laundering, its Organizational Risk Assessment was deficient because it failed to assess Leede's specific risks to money laundering and terrorist financing to the standard required by the *PCMLTFA*.

¶ 42 Pursuant to the *PCMLTFA* Regulations, every two years Leede was required to conduct a review of the effectiveness of their program for compliance with the *PCMLTFA*. Leede retained a consultant to conduct the required reviews.

¶ 43 In December 2016, December 2018, and December 2020, the consultant provided Leede with a detailed report which outlined the effectiveness of their program for compliance with the *PCMLTFA* (the “Compliance Effectiveness Report”).

¶ 44 The Compliance Effectiveness Reports indicated that Leede’s Organizational Risk Assessment was deficient.

¶ 45 In April 2022, Leede revised its Organizational Risk Assessment, thereby rectifying the deficiency.

C. Failure to Place Orders on a Marketplace

¶ 46 As detailed in the following chart, in four instances shares were transferred from corporate accounts at Leede to unrelated third-party accounts at Leede.

Account	Date	Security	Number of Shares Transferred	Receiving Account
B Inc.	August 4, 2017	Liberty One Lithium Corp.	25,000	CC
B Inc.	August 25, 2017	Acana Capital Corp.	50,000	CC
B Inc.	August 25, 2017	Acana Capital Corp.	50,000	J Corp.
AC	December 19, 2017	Global Blockchain Technology Corp.	33,333	J Corp.

¶ 47 All the account holders that were involved in the inter-account transfers were consultants in venture capital. The Letter of Authorization for each of the four inter-account transfers indicted the reason for each inter-account transfer was to “settle debts” between the two parties.

¶ 48 Leede’s Trade Supervision Policy Manual stated:

Leede has the responsibility to trade by entry of orders on a marketplace unless the trade qualifies as a particular kind of trade that is exempt from this requirement. This responsibility applies to trade conducted as both agent and principal.

Money and securities transfers between accounts of unrelated parties should be closely reviewed, as they may constitute off market transactions. Transactions of these types can be identified through the policy of the firm to require compliance pre-approval to authorize any 3rd party movements.

Additionally, employees in the Operations department have been instructed to be watchful for these

types of occurrences. Where unusual, frequent, or regular third party transactions are found, further explanation should be obtained from the IA.

¶ 49 Leede approved the four inter-account transfers even though they did not qualify for a regulatory exemption from the requirement that all trades must be entered on a marketplace.

D. Other Factors

¶ 50 Leede has taken steps to enhance its compliance program to ensure contraventions like those described above do not reoccur. These enhancements include hiring additional Compliance personnel and implementing new systems to better track and monitor trading.

¶ 51 Leede also implemented a new Organizational Risk Assessment and updated its policies and procedures to align with the risks identified in the Organizational Risk Assessment.

¶ 52 The FINTRAC review and Compliance Effectiveness Reports did not find any evidence of money laundering or terrorist financing activity.

PART IV – CONTRAVENTIONS

¶ 53 By engaging in the conduct described above, Leede committed the following contraventions of CIRO requirements:

Contravention 1

Between April 2016 and October 2018, Leede failed to adequately supervise the activities of Martin, a Registered Representative, to ensure compliance with Dealer Member Rules 38 and 2500.

Contravention 2

Between November 2016 and April 2022, Leede failed to have adequate policies to ensure compliance with the requirements under the PCMLTFA and its associated regulations, contrary to Dealer Member Rules 38 and 2500 (prior to January 1, 2022) and Investment Dealer Rules 2500 and 3900 (from January 1, 2022).

Contravention 3

In August 2017 and December 2017, Leede participated in trades in securities by means other than the entry of an order on a marketplace, contrary to section 6.4 of the Universal Market Integrity Rules.

PART V – TERMS OF SETTLEMENT

¶ 54 Leede agrees to the following sanctions and costs:

- i. a fine in the amount of \$150,000; and
- ii. costs in the amount of \$15,000.

¶ 55 If this Settlement Agreement is accepted by the hearing panel, Leede agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Enforcement Staff and Leede.

PART VI – STAFF COMMITMENT

¶ 56 If the hearing panel accepts this Settlement Agreement, Enforcement Staff will not initiate any further action against Leede 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.

¶ 57 If the hearing panel accepts this Settlement Agreement and Leede fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against Leede. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

¶ 58 This Settlement Agreement is conditional on acceptance by the hearing panel.

¶ 59 This Settlement Agreement shall be presented to a hearing panel at a settlement hearing in accordance with sections 8215 and 8428 of the Investment Dealer Rules, in addition to any other procedures that may be agreed upon between the parties.

¶ 60 Enforcement Staff and Leede agree that this Settlement Agreement will form all 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 Leede does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the hearing panel.

¶ 61 If the hearing panel accepts this Settlement Agreement, Leede agrees to waive all rights under the Rules of CIRO and any applicable legislation to any further hearing, appeal and review.

¶ 62 If the hearing panel rejects this Settlement Agreement, Enforcement Staff and Leede may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.

¶ 63 The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.

¶ 64 This Settlement Agreement will become available to the public upon its acceptance by the hearing panel and CIRO will post a copy of this Settlement Agreement on the CIRO website. CIRO will publish a notice and news release of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement and the hearing panel's written reasons for its decision to accept this Settlement Agreement.

¶ 65 If this Settlement Agreement is accepted, Leede agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.

¶ 66 This Settlement Agreement is effective and binding upon Leede and Enforcement Staff as of the date of its acceptance by the hearing panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

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

¶ 68 An electronic copy of any signature will be treated as an original signature.

DATED this "10th" day of November 2023.

"Witness"

Witness

"Jim Dale"

Leede Jones Gable Inc.

DATED this "14th" day of November 2023.

"Witness"

Witness

"Lorne Herlin"

Lorne Herlin
Enforcement Counsel on behalf of Enforcement
Staff of the
Canadian Investment Regulatory Organization

The Settlement Agreement is hereby accepted this "5" day of "December", 2023 by the following Hearing panel:

Per: "Susan E., Ross"
Chair

Per: "Lloyd Costley"
Industry Member

Per: "Richard Thomas"
Industry Member

Schedule "A"

Shares Deposited and Sold

T Account

Issuer	Total Shares Received	Date Shares Received	Date Trading Started	Date Trading Ended	Total Shares Sold	Total Proceeds of Sale	Date Proceeds Transferred Out	Amount Transferred Out
Marapharm Ventures Inc.	833,334	May 23, 2018	May 22, 2018	May 29, 2018	833,334	\$468,323	June 4, 2018	\$450,000
Marapharm Ventures Inc.	1,100,000	June 13, 2018	June 13, 2018	June 22, 2018	1,100,000	\$419,088	July 9, 2018	\$430,573
Abattis Bioceuticals Corp.	179,041	June 8, 2018	June 12, 2018	June 15, 2018	179,041	\$34,233	June 18, 2018	\$34,226
BLOK Technologies Inc.	5,000,000	June 15, 2018	July 20, 2018	August 9, 2018	5,000,000	\$486,890	August 20, 2018	
New Point Exploration Corp.*	5,000,000	August 9, 2018	August 2, 2018	August 15, 2018	4,146,000	\$278,555	August 20, 2018	\$500,000

*On August 20, 2018, IIROC halted the trading of shares of New Point Exploration Corp. The shares did not resume trading until January 10, 2019.

Schedule "A" (cont.)

Shares Deposited and Sold

H Account

Issuer	Total Shares Received	Date Shares Received	Date Trading Started	Date Trading Ended	Total Shares Sold	Total Proceeds of Sale	Date Proceeds Transferred Out	Amount Transferred Out
Abattis Bioceuticals Corp.	596,804	June 14, 2018	June 12, 2018	June 13, 2018	596,804	\$108,823	July 10, 2018	\$126,000
New Point Exploration Corp.	5,000,000	August 13, 2018	August 14, 2018	August 17, 2018	1,052,000	\$65,597	September 12, 2018	\$65,500

K Account

Issuer	Total Shares Received	Date Shares Received	Date Trading Started	Date Trading Ended	Total Shares Sold	Total Proceeds of Sale	Date Proceeds Transferred Out	Amount Transferred Out
Marapharm Ventures Inc.	1,000,000	June 13, 2018	June 13, 2018	June 27, 2018	1,000,000	\$342,401	July 10, 2018	\$342,000
BLOK Technologies Inc.	5,000,000	July 19, 2018	July 20, 2018	August 9, 2018	5,000,000	\$459,823	August 16, 2018	\$459,700

J Account

Issuer	Total Shares Received	Date Shares Received	Date Trading Started	Date Trading Ended	Total Shares Sold	Total Proceeds of Sale	Date Proceeds Transferred Out	Amount Transferred Out
Cryptobloc Technologies Corp.	1,773,333	June 25, 2018	June 22, 2018	June 26, 2018	1,773,333	\$108,355	July 3, 2018	\$108,335
BLOK Technologies Inc.	750,000	August 14, 2018	August 16, 2018	August 17, 2018	750,000	\$36,860	August 16, 2018	\$36,860

Schedule "A" (cont.)

Shares Deposited and Sold

CMGT Account

Issuer	Total Shares Received	Date Shares Received	Date Trading Started	Date Trading Ended	Total Shares Sold	Proceeds of Sale (US\$)
MGT Capital Investments Inc.	264,274	May 25, 2016	May 25, 2016	May 25, 2016	264,274	\$596,324
ZZLL Information Technology	28,938	August 10, 2016	August 11, 2016	August 12, 2016	28,938	\$8,781
Replicel Life Sciences Inc.	53,830	August 10, 2016	August 19, 2016	August 19, 2016	5,383 (1 for 10 shares)	\$2,385
Patriot Gold Corp.	155,450	August 10, 2016	August 10, 2016	August 10, 2016	155,450	\$5,558
Cell Medx Corp.	109,537	August 10, 2016	August 10, 2016	August 30, 2016	109,537	\$16,971
Q Biomed Inc.	390,000	September 1, 2016	September 2, 2016	September 19, 2016	390,000	\$1,287,364
Flik Media	200,000	November 9, 2016	November 9, 2016	March 1, 2017	130,000	\$18,465

Nuzee Inc.	60,000	November 10, 2016	November 10, 2016	November 17, 2016	60,000	\$12,824
Greenwood Hall Inc.	1,863,287	November 24, 2016	December 7, 2016	December 12, 2016	289,500	\$7,687
Q Biomed Inc.	40,000	January 17, 2017	January 18, 2017	February 1, 2017	40,000	\$204,367
Foothills Exploration Inc.	155,000	January 31, 2017	February 1, 2017	June 7, 2017	155,000	\$212,199
International Stem Cell Corp.	3,333	January 31, 2017	January 31, 2017	January 31, 2017	3,333	\$3,507
Strata Oil & Gas	1,090,318	February 7, 2017	February 9, 2017	May 25, 2017	676,000	\$23,001

Schedule "A" (cont.)

Shares Deposited and Sold

CMGT Account

Issuer	Total Shares Received	Date Shares Received	Date Trading Started	Date Trading Ended	Total Shares Sold	Proceeds of Sale (US\$)
Mobetize Corp.	500,000	February 28, 2017	March 1, 2017	April 21, 2017	500,000	\$37,052
BBooth Inc.	450,000	March 10, 2017	March 15, 2017	March 15, 2017	450,000	\$38,565
Mobetize Corp.	868,000	April 27, 2017	April 27, 2017	May 17, 2017	130,000	\$3,880
Nfusz Inc.	900,000	May 25, 2017	May 31, 2017	June 6, 2017	20,000	\$5,700
Nfusz Inc.	500,000	June 20, 2017	June 28, 2017	September 19, 2017	404,000	\$54,776
Predictive Technology Group Inc.	336,607	February 27, 2018	March 9, 2017	May 7, 2018	336,607	\$352,596
HQ Global Education Inc.	3,000,000	March 12, 2018	March 12, 2018	July 11, 2018	3,000,000	\$207,333
Mass Roots Inc.	475,000	April 26, 2018	May 10, 2018	May 10, 2018	475,000	\$110,727
Biomed Inc.	60,075	April 27, 2018	April 27, 2018	June 19, 2018	60,075	\$199,109
Best n Pet Inc.	350,000	May 7, 2018	May 9, 2018	June 25, 2018	120,000	\$9,539
Nfusz Inc.	400,000	May 31, 2018	June 1, 2018	June 21, 2018	400,000	\$249,602
Predictive Technology Group Inc.	200,000	June 1, 2018	June 1, 2018	June 4, 2018	188,800	\$213,273
Predictive Technology Group Inc.	325,000	June 6, 2018	June 8, 2018	July 2, 2018	336,200	\$321,936
Job Location Map Inc.	330,786	June 11, 2018	June 14, 2018	June 14, 2018	330,786	\$71,368

Job Location Map Inc.	319,678	June 15, 2018	June 18, 2018	June 19, 2018	319,678	\$90,704
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Schedule "B"

Funds Deposited & Withdrawn

T Account

Date	Method of Fund Transfer	Amount Deposited	Amount Withdrawn
December 1, 2017	Cheque		\$11,000
December 7, 2017	Electronic		\$7,500
January 11, 2018	Cheque	\$50,000	
February 26, 2018	Cheque	\$10,000	
March 15, 2018	Electronic		\$23,000
March 31, 2018	Electronic		\$7,000
April 19, 2018	Cheque	\$14,000	
April 27, 2018	Electronic		\$3,500
June 4, 2018	Cheque		\$450,000
June 18, 2018	Electronic		\$34,226
July 9, 2018	Electronic		\$100,000
July 9, 2018	Cheque		\$330,573
August 20, 2018	Cheque		\$500,000
September 6, 2018	Cheque	\$100,000	
September 28, 2018	Cheque	\$3,800	
October 15, 2018	Cheque	\$9,000	
Total:		\$186,800	\$1,466,799

H Account

Date	Method of Fund Transfer	Amount Deposited	Amount Withdrawn
December 12, 2017	Electronic		\$210,000
January 4, 2018	Electronic		\$40,000
May 2, 2018	Electronic		\$240,000
July 10, 2018	Wire		\$126,000
September 12, 2018	Electronic		\$65,500
October 1, 2018	Wire	\$20,000	
October 18, 2018	Wire	\$10,500	
Total:		\$30,500	\$681,500

Schedule "B" (cont.)

Funds Deposited & Withdrawn

K Account

Date	Method of Fund Transfer	Amount Deposited	Amount Withdrawn
July 10, 2018	Wire		\$342,000
August 16, 2018	Electronic		\$100,000
August 16, 2018	Wire		\$359,700
Total			\$801,700

Schedule "B" (cont.)

Funds Deposited & Withdrawn

J Account

Date	Method of Fund Transfer	Amount Deposited	Amount Withdrawn
March 19, 2018	Cheque	\$50,000	
May 9, 2018	Cheque		\$2,000
May 31, 2018	Cheque		\$1,000
June 1, 2018	Cheque		\$3,000
June 4, 2018	Cheque		\$1,000
June 26, 2018	Cheque		\$1,500
June 28, 2018	Cheque		\$1,000
June 30, 2018	Cheque		\$3,000
July 3, 2018	Cheque		\$108,335
July 4, 2018	Cheque	\$3,000	
July 9, 2018	Cheque		\$1,500
July 12, 2018	Cheque		\$2,000
July 13, 2018	Cheque		\$750
July 23, 2018	Cheque		\$1,000
July 24, 2018	Cheque		\$1,000
July 27, 2018	Cheque		\$1,500
July 30, 2018	Cheque		\$1,500
August 1, 2018	Draft	\$100,000	
August 1, 2018	Cheque		\$5,000
August 3, 2018	Cheque		\$2,000
August 7, 2018	Cheque		\$1,200
August 9, 2018	Cheque		\$1,250
August 13, 2018	Cheque		\$2,000
August 15, 2018	Cheque		\$2,000
August 16, 2018	Cheque		\$36,860
August 21, 2018	Cheque		\$1,800
August 24, 2018	Cheque		\$1,400
August 28, 2018	Cheque		\$2,000
September 10, 2018	Cheque		\$100,000
September 13, 2018	Cheque		\$3,600
September 17, 2018	Cheque		\$4,767
October 2, 2018	Draft	\$1,100	
October 11, 2018	Cheque		\$825

Total:		\$154,100	\$294,787
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Schedule "B" (cont.)

Funds Deposited & Withdrawn

CMGT Account

Date	Method of Fund Transfer	Amount Deposited (US\$)	Amount Withdrawn (US\$)
June 3, 2016	Wire		\$425,000
June 24, 2016	Wire		\$60,000
September 1, 2016	Wire	\$30,000	
September 12, 2016	Wire		\$300,000
September 16, 2016	Wire		\$350,000
September 20, 2016	Wire		\$225,000
September 27, 2016	Wire		\$225,000
October 7, 2016	Wire		\$150,000
November 1, 2016	Wire		\$69,000
November 8, 2016	Wire		\$125,000
December 16, 2016	Wire		\$220,000
December 22, 2016	Wire		\$65,000
February 9, 2017	Wire		\$150,000
February 28, 2017	Wire		\$35,000
April 17, 2017	Wire		\$80,000
June 2, 2017	Wire		\$45,000
September 27, 2017	Wire		\$150,000
October 3, 2017	Wire		\$175,000
October 27, 2017	Wire		\$130,000
February 26, 2018	Wire		\$225,000
March 6, 2018	Wire		\$225,000
March 20, 2018	Wire		\$125,000
April 3, 2018	Wire		\$125,000
April 9, 2018	Wire		\$155,000
April 12, 2018	Wire		\$100,000
April 18, 2018	Wire		\$100,000
May 4, 2018	Wire		\$200,000
May 18, 2018	Wire		\$250,000
May 25, 2018	Wire		\$200,000
June 5, 2018	Wire		\$125,000
June 8, 2018	Wire		\$150,000
June 18, 2018	Wire		\$50,000
June 21, 2018	Wire		\$180,000
July 3, 2018	Wire		\$200,000
July 5, 2018	Wire		\$50,000
Total:		\$30,000	\$5,439,000

Schedule "C"

Account Activity Inconsistent with Stated Account Financials

T Account

Monthly Statement	Total Value of Holdings in Account	Estimated Total Net Liquid Assets on NCAF	Estimated Total Net Worth on NCAF
December 2017	\$754,181	\$300,000	\$600,000
January 2018	\$770,611	\$300,000	\$600,000
February 2018	\$768,536	\$300,000	\$600,000
March 2018	\$732,410	\$300,000	\$600,000
April 2018	\$86,484	\$300,000	\$600,000
May 2018	\$548,646	\$300,000	\$600,000
June 2018	\$1,065,285	\$300,000	\$600,000
July 2018	\$434,931	\$300,000	\$600,000
August 2018	\$295,421	\$300,000	\$600,000
September 2018	\$85,304	\$300,000	\$600,000
October 2018	\$232,077	\$300,000	\$600,000

Schedule "C" ("cont.")

Account Activity Inconsistent with Stated Account Financials

H Account

Monthly Statement	Total Value of Holdings in Account	Estimated Total Net Liquid Assets on NCAF	Estimated Total Net Worth on NCAF
December 2017	\$391,971	\$50,000	\$450,000
January 2018	\$309,954	\$50,000	\$450,000
February 2018	\$301,501	\$50,000	\$450,000
March 2018	\$295,668	\$50,000	\$450,000
April 2018	\$240,846	\$50,000	\$450,000
May 2018	\$17,427	\$50,000	\$450,000
June 2018	\$126,173	\$50,000	\$450,000
July 2018	\$133	\$50,000	\$450,000
August 2018	\$282,695	\$50,000	\$450,000
September 2018	\$209,362	\$50,000	\$450,000
October 2018	\$238,020	\$50,000	\$450,000

Schedule "C" (cont.)

Account Activity Inconsistent with Stated Account Financials

K Account

Monthly Statement	Total Value of Holdings in Account	Estimated Total Net Liquid Assets on NCAF	Estimated Total Net Worth on NCAF
December 2017	\$1,554,325	\$50,000	\$250,000
January 2018	\$1,717,332	\$50,000	\$250,000
February 2018	\$1,473,862	\$50,000	\$250,000
March 2018	\$1,331,493	\$50,000	\$250,000
June 2018	\$1,507,896	\$50,000	\$250,000
July 2018	\$2,040,998	\$50,000	\$250,000
August 2018	\$1,159,542	\$50,000	\$250,000
September 2018	\$1,259,251	\$3,000,000	\$3,000,000
October 2018	\$1,202,159	\$3,000,000	\$3,000,000

Schedule "D"

Account Activity Inconsistent with Stated Account Financials

CGMT Account

Monthly Statement	Total Value of Holdings in Account	Estimated Total Net Liquid Assets on NCAF	Estimated Total Net Worth on NCAF
August 2016	\$2,894,589	\$2,000,000	\$6,000,000
September 2016	\$3,146,507	\$2,000,000	\$6,000,000
October 2016	\$9,702,614	\$2,000,000	\$6,000,000
November 2016	\$9,009,019	\$2,000,000	\$6,000,000
December 2016	\$10,985,334	\$2,000,000	\$6,000,000
January 2017	\$11,156,435	\$2,000,000	\$6,000,000
February 2017	\$12,097,316	\$2,000,000	\$6,000,000
March 2017	\$7,078,220	\$2,000,000	\$6,000,000
April 2017	\$7,871,007	\$2,000,000	\$6,000,000
May 2017	\$7,553,217	\$2,000,000	\$6,000,000
June 2017	\$9,255,638	\$2,000,000	\$6,000,000
July 2017	\$7,946,353	\$2,000,000	\$6,000,000
August 2017	\$6,913,625	\$2,000,000	\$6,000,000
September 2017	\$6,862,638	\$2,000,000	\$6,000,000
October 2017	\$6,614,411	\$2,000,000	\$6,000,000
November 2017	\$5,597,088	\$2,000,000	\$6,000,000
December 2017	\$10,633,884	\$2,000,000	\$6,000,000
January 2018	\$9,579,665	\$2,000,000	\$6,000,000

February 2018	\$12,111,858	\$2,000,000	\$6,000,000
March 2018	\$14,468,638	\$2,000,000	\$6,000,000
April 2018	\$11,709,588	\$2,000,000	\$6,000,000
May 2018	\$13,891,682	\$2,000,000	\$6,000,000
June 2018	\$9,255,545	\$2,000,000	\$6,000,000
July 2018	\$8,361,037	\$2,000,000	\$6,000,000

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