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Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

Notice of Hearing

File No. 202416

**IN THE MATTER OF
THE MUTUAL FUND DEALER RULESⁱ
and
Sukhjinder Minhas**

NOTICE OF HEARING

NOTICE is hereby given that a disciplinary proceeding has been commenced by the Canadian Investment Regulatory Organization (“CIRO”) against Sukhjinder Minhas (the “Respondent”). The first appearance will take place electronically by videoconference before a hearing panel of the Pacific District Hearing Committee of CIRO (the “Hearing Panel”) on September 16, 2024, at 10:00 am Pacific Standard Time or as soon thereafter as the hearing can be held. The Hearing on the Merits will take place at a time and venue to be announced. Members of the public who would like to attend the first appearance by videoconference as an observer should contact hearings@ciro.ca to obtain particulars.

DATED this 28th day of June, 2024.

“Michelle Pong”

Michelle Pong
Director, Hearings

Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, ON M5H 0B4
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NOTICE is further given that CIRO alleges the following violations of the Mutual Fund Dealer Rules:¹

Allegation #1: Between November 2021 and February 2022, the Respondent failed to identify, report to the Dealer Member, or address material conflicts of interest when he borrowed monies from clients, contrary to the Dealer Member’s policies and procedures and Mutual Fund Dealer Rules 2.1.4(2), 2.1.5, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1).

Allegation #2: Commencing on July 16, 2023, the Respondent failed to cooperate with an investigation into his conduct by Staff of CIRO, contrary to Mutual Fund Dealer Rule 6.2.1.

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by CIRO at the hearing:

Registration History

1. Between April 2010 and March 2022, the Respondent was registered in British Columbia as a dealing representative with Royal Mutual Funds Inc. (“RMFI”), a Dealer Member of CIRO (formerly a Member of the MFDA). During this period, the Respondent was also employed by a bank affiliated with RMFI.
2. Effective March 21, 2022, RMFI terminated the Respondent as a result of the conduct described herein.

¹ On December 31, 2021, MFDA Rule came into effect and is now incorporated into Mutual Fund Dealer Rule 2.1.5 referred to in this proceeding. Accordingly, Staff alleges that Rule 2.1.5 is applicable to conduct that occurred after December 30, 2021.

3. Between October 2022 and October 2023, the Respondent was registered in British Columbia as a dealing representative with Carte Wealth Management Inc., a Dealer Member of CIRO (formerly a Member of the MFDA).

4. The conduct described herein occurred while the Respondent was registered with RMFI.

5. The Respondent is not currently registered in the securities industry in any capacity.

6. At all material times, the Respondent conducted business in the Surrey, British Columbia area.

Allegation #1 – Borrowing from Clients

7. At all material times, RMFI’s policies and procedures prohibited its Approved Persons from borrowing money from clients, unless the Approved Person and the client were related to each other for the purposes of the *Income Tax Act (Canada)* and the Approved Person obtained written approval from RMFI’s compliance department.

8. On or about February 1, 2022, the Respondent completed an annual attestation to RMFI in which he confirmed, among other things, that he understood that according to RMFI’s policies and procedures he was not permitted to borrow monies from clients.

9. At all material times, clients GA, PP and RA were clients of RMFI. The Respondent was the Approved Person responsible for servicing the accounts of PP since July 2017 and RA since April 2018.

10. Between November 2021 and February 2022, the Respondent borrowed a total of \$400,000 from clients GA, PP, and RA² (the “Loans”), as set out below:

Loan No.	Approximate Date of Loan	Client	Amount Borrowed
1	November 10, 2021	GA	\$50,000 (the “GA Loan”)

² The loan from client RA was provided by a company owned by client RA.

2	December 17, 2021	PP	\$75,000 (the "PP Loan #1")
3	January 4, 2022	RA	\$75,000 (the "RA Loan")
3	February 22, 2022	PP	\$100,000 (the "PP Loan #2")
4	February 28, 2022	PP	\$100,000 (the "PP Loan #3")
			TOTAL: \$400,000

11. None of the Loans were secured by collateral.
12. Each of the Loans were recorded in promissory notes that listed, among other things, the principal amount borrowed and the interest that was payable in respect of the loan.
13. The Respondent used proceeds of the Loans to pay for his personal expenses or monies owed to clients or other persons.
14. In particular, shortly after the Respondent obtained the GA Loan, he repaid an earlier loan that the Respondent had obtained from another individual who was not an RMFI client.
15. In addition, shortly after the Respondent obtained the PP Loans, he repaid the principal, interest, and fees that the Respondent owed on the GA Loan (the Respondent repaid the GA Loan in March 2022).
16. At no time did the Respondent disclose to RMFI that he obtained the Loans described above.
17. Borrowing monies from clients as described above gave rise to material conflicts of interest that the Respondent failed to identify, report to the Dealer Member, or otherwise address in the best interest of the client.
18. By virtue of the foregoing, the Respondent engaged in conduct that was contrary to RMFI's policies and procedures and Mutual Fund Dealer Rules 2.1.4(2), 2.1.5, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1).

Allegation #2 – Failure to Cooperate with an Investigation

19. CIRO Staff (“Staff”) commenced an investigation into the Respondent’s conduct after receiving a report from RMFI in respect of the allegations described above.

20. On May 24, 2023, the Respondent attended an interview with Staff with respect to the matters under investigation (the “Interview”). During the Interview, the Respondent claimed, among other things, that he:

- (a) used the proceeds from the PP Loans described in the chart above to invest in a real estate development that was operated by a relative of the Respondent;
- (b) repaid the PP Loans by issuing several cheques to client PP;
- (c) repaid the RA Loan described in the chart above, and that he likely issued a bank draft to client RA in order to repay the RA Loan; and
- (d) borrowed from and lent money to client GA on numerous occasions.

21. During the interview, the Respondent undertook to provide Staff with certain documents and information (the “Undertakings”), which included:

- (a) information concerning the purported real estate development described above, including the name of the Respondent’s relative and the amount that the Respondent provided to his relative to invest in the real estate development;
- (b) copies of the cheques that the Respondent purportedly wrote to client PP to repay the PP Loans;
- (c) a copy of the bank draft that the Respondent purportedly wrote to client RA to repay the RA Loan;
- (d) information concerning any loans between the Respondent and client GA that were in addition to the GA Loan, and copies of promissory notes in respect of any such loans; and

(e) information concerning transfers of money to and from the Respondent's bank account at RMFI's bank affiliate that the Respondent was unable to explain during the Interview.

22. On June 30, 2023, Staff sent a letter to the Respondent by email requesting that he provide the Undertakings and certain other documents and information that were relevant to the matters under investigation (the "Undertakings and Other Requested Information") to Staff by no later than July 16, 2023.

23. The Respondent did not respond to Staff's letter, and he failed to provide the Undertakings and Other Requested Information by July 16, 2023.

24. On August 10, 2023, Staff sent an email to the Respondent again requesting that he provide the Undertakings and Other Requested Information by no later than August 16, 2023.

25. On August 16, 2023, the Respondent sent an email to Staff stating, among other things, that he would attempt to respond to Staff's requests as soon as possible.

26. The Respondent failed to contact Staff. On September 1, 2023, Staff emailed the Respondent reiterating its request for the Undertakings and Other Requested Information by no later than September 5, 2023, and that if he failed to do so, Staff would seek authorization to commence a proceeding against the Respondent for failing to cooperate with an investigation.

27. The Respondent failed to respond to Staff's email and has not provided Staff with the Undertakings and Other Requested Information.

28. As a result of the Respondent's failure to cooperate with Staff's investigation, Staff has been unable to determine the full nature and extent of his conduct described herein, including: (a) the status of any repayment of the PP Loans and RA Loan; (b) whether the Respondent borrowed additional monies from client GA in addition to the GA Loan and the status of any additional loans; (c) the nature of the purported real estate development

operated by the Respondent's relative, and (d) the nature and extent of any involvement by the Respondent with the purported real estate development.

29. By virtue of the foregoing, the Respondent failed to cooperate with Staff's investigation into his conduct, contrary to Mutual Fund Dealer Rule 6.2.1.

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that pursuant to Mutual Fund Dealer Rule 1A that any person subject to the jurisdiction of the Mutual Fund Dealers Association of Canada prior to January 1, 2023 remains subject to the jurisdiction of CIRO in respect of any action or matter that occurred while that person was subject to the jurisdiction of the Mutual Fund Dealers Association of Canada at the time of such action or matter.

NOTICE is further given that the Mutual Fund Dealer Rules provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with CIRO;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Dealer Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of the Mutual Fund Dealer Rules of CIRO;
- has engaged in any business conduct or practice which such Hearing Panel in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000.00 per offence; and
 - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- (c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- (d) revocation of the authority of such person to conduct securities related business;
- (e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Office of the Corporate Secretary, Mutual Fund Dealer Division within twenty (20) days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Canadian Investment Regulatory Organization
40 Temperance St Suite 2600
Toronto, ON M5H 0B4
Attention: Eric Chow
Email: echow@ciro.ca

A **Reply** shall be **filed** by:

- (a) providing 4 copies of the **Reply** to the Hearings Office by personal delivery, mail or courier to:

Canadian Investment Regulatory Organization
40 Temperance St Suite 2600
Toronto, ON M5H 0B4
Attention: Hearings Office; or

- (b) transmitting 1 electronic copy of the **Reply** to the Hearings Office by e-mail at hearings@ciro.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by CIRO in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by CIRO in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

- (a) to **serve** and **file** a **Reply**; or
- (b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing

Panel may accept the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing as having been proven and may impose any of the penalties described in the Mutual Fund Dealer Rules.

End.

ⁱ On January 1, 2023, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association of Canada (the “MFDA”) were consolidated into a single self-regulatory organization recognized under applicable securities legislation that is called the Canadian Investment Regulatory Organization (referred to herein as “CIRO”). CIRO 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 certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the by-laws, rules 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. Pursuant to Mutual Fund Dealer Rule 1A and s.14.6 of By-Law No. 1 of CIRO, contraventions of former MFDA regulatory requirements maybe enforced by CIRO.