

JUL 10 2017

IN THE MATTER OF:

THE RULES OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AND

JOSEPH DEBUS

NOTICE OF HEARING

An initial appearance (“Initial Appearance”) will be held before a hearing panel (“Hearing Panel”) of the Investment Industry Regulatory Organization of Canada pursuant to Sections 8203 and 8205 of the Consolidated Rules of IIROC in this matter. The purpose of the Initial Appearance is to schedule a hearing (“Hearing”).

The Initial Appearance will be held on: **Thursday September 28th, 2017 at 10:00 am.**

The Initial Appearance will be held at: **IIROC offices, 121 King Street West, Toronto, Ontario.**

The Respondent must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated July 10, 2017 (“Statement of Allegations”) 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 Section 8415(1), the Initial Appearance may be immediately converted to a Hearing.

If the Respondent files a Response in accordance with Section 8415(1), the Initial Appearance will be immediately followed by an initial prehearing conference. In preparation for the prehearing conference, the Respondent must serve and file a prehearing conference form in accordance with Section 8416(5).

The purpose of the Hearing will be to determine whether the Respondent has committed the contraventions that are alleged by the staff of IIROC (“Staff”). The alleged contraventions are contained in the Statement of Allegations.

Pursuant to Section 8409, the Hearing will be conducted as a[n]:

- Oral Hearing
- Electronic Hearing
- Written Hearing

The Initial Appearance, the Hearing and all related proceedings will be subject to the Rules of Practice and Procedure as set out in Section 8400.

Pursuant to the Rules of Practice and Procedure, 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.

If the Respondent fails to serve a Response at the Hearing the Hearing Panel may, pursuant to Section 8415(4):

- (a) proceed with the hearing as set out in this Notice of Hearing, without further notice to the Respondent;
- (b) accept as proven the facts and contraventions set out by Staff in the Statement of Allegations; and
- (c) order penalties and costs against the Respondent pursuant to Sections 8209, 8210 and 8214.

If the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by Staff in the Statement of Allegations, the Hearing Panel may, pursuant to IROC Dealer Member Rules 20.33 and 20.34, impose any one or more of the following penalties:

Where the Respondent is/was a Regulated Person who is not a Dealer Member:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$1,000,000 per 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.

- (c) 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;
- (d) imposition of any terms or conditions on the person's continued approval or continued access to a Marketplace;
- (e) prohibition of approval in any capacity, for any period of time, including access to a Marketplace;
- (f) revocation of approval;
- (g) a permanent bar to approval in any capacity or to access to a Marketplace;
- (h) permanent bar to employment in any capacity by a Regulated Person, and
- (i) any sanction determined to be appropriate under the circumstances.

Where the Respondent is/was a Dealer Member:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000 per contravention; and
 - (ii) an amount equal to three times the profit made or loss avoided by the Dealer Member, directly or indirectly, by reason of the contravention;
- (c) suspension of membership in the Corporation or of any right or privilege associated with membership, including a direction to cease dealing with clients, for any period of time and on any terms and conditions;
- (d) imposition of any terms and conditions on the Dealer Member's continued membership, including on access to a Marketplace;
- (e) expulsion from membership and termination of the rights and privileges of membership, including access to a Marketplace;
- (f) a permanent bar to membership in the Corporation;
- (g) appointment of a monitor; and
- (h) any other sanction determined to be appropriate under the circumstances.

If the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by the Staff in the Statement of Allegations, the Hearing Panel may assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances pursuant to IIROC Dealer Member Rule 20.49.

DATED this 10th day of July, 2017.



NATIONAL HEARING COORDINATOR
Investment Industry Regulatory Organization of Canada
Suite 2000, 121 King Street West
Toronto, Ontario, M5H 3T9

IN THE MATTER OF:

**THE RULES OF THE INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA**

AND

JOSEPH DEBUS

STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated July 10, 2017, Staff of the Investment Industry Regulatory Organization of Canada make the following allegations:

PART I - CONTRAVENTIONS ALLEGED

Count 1: In 2009 the Respondent recommended that clients AP and DB purchase shares of Myscreen Mobile Inc. outside of their accounts held with him, without disclosing this activity to his Dealer Member firm, contrary to IIROC Dealer Member Rule 29.1.

Count 2: Between August 2009 and August 2012, the Respondent effected unauthorized trades in the accounts of clients AP and DB, contrary to IIROC Dealer Member Rule 29.1.

Count 3: Between June 2009 and February 2013, the Respondent engaged in discretionary trading in client PE's account, without the account having been accepted and approved as a discretionary account, contrary to IIROC Dealer Member Rule 1300.4.

Count 4: Between December 2011 and February 2013, the Respondent failed to use due diligence to ensure that recommendations made for client PE were suitable for him, based on his investment objectives and risk tolerance, contrary to IIROC Dealer Member Rule 1300.1 (q).

PART II - PARTICULARS

Overview

1. In May and July 2009 the Respondent recommended that clients AP and DB purchase shares of MyScreen Mobile Inc. (“Myscreen”), in accounts held at other Dealer Member firms, without disclosing that activity to his employer. In March 2009 the Respondent had previously been advised by his firm that he was no longer permitted to purchase Myscreen shares for his clients.
2. The Respondent effected unauthorized and discretionary trades in the accounts of his clients AP, DB and PE on various dates between June 2009 and February 2013.
3. Between December 2011 and February 2013, the Respondent recommended trades that were not suitable for his client PE.

Background

4. The Respondent has been registered in the securities industry since 1996. At the material time he was employed as a Registered Representative (“RR”) and Portfolio Manager (“PM”) with Blackmont Capital Inc. (“Blackmont”), later known as Macquarie Private Wealth Inc. (“Macquarie”). He left Macquarie in March 2013. The Respondent is currently employed as an RR and PM with Echelon Wealth Partners Inc.

Off book transactions re: clients AP and DB

5. In February and March 2009, Macquarie expressed concerns to the Respondent about his conduct involving Myscreen, including the suitability of recommendations made to a certain client about Myscreen, a high risk security.
6. In March 2009, Macquarie advised the Respondent that he was no longer permitted to purchase Myscreen shares in his clients’ accounts at the firm.
7. In May 2009, soon after his client AP had opened an account with him, the Respondent recommended that AP purchase Myscreen in an account held by AP at another Dealer Member firm.
8. Based on the Respondent’s recommendation, AP subsequently purchased Myscreen shares at another Dealer Member firm as follows:
 - May 2009 purchased 50,000 shares for \$58,934 USD
 - July 2009 purchased 50,000 shares for \$55,509 USD

9. In July 2009, the Respondent recommended that his client DB purchase Myscreen shares at another Member firm.
10. DB subsequently purchased 22,000 Myscreen shares at a total cost of \$25,000 in his corporate account at another Member firm in July 2009.
11. The Respondent did not tell his employer about this activity, nor was the firm aware of these transactions.

Unauthorized trading re: clients AP and DB

12. Between August 2009 and August 2012, the Respondent effected unauthorized trades in AP's margin account. While at first he had some contact with this client, soon after the account was opened the Respondent no longer discussed particulars of the securities bought and sold in AP's account. There were approximately 70 trades made in AP's margin account during this time period.
13. Further, the Respondent purchased shares of Avrev Canada Inc. ("Avrev") in his client DB's account in March 2011. This trade was not authorized by DB.

Discretionary trading re: client PE

14. The Respondent traded in his client PE's account with very little input from PE. PE gave permission for the Respondent to effect trades in this manner because he thought that it was an acceptable way to proceed.
15. There were approximately 98 trades effected by the Respondent in PE's account between June 2009 and February 2013.

Commission and fees

16. AP's margin account was originally fee-based. Between August 2009 and January 2010, gross fees paid by AP totaled \$1,170. In February 2010 the account moved to a commission based fee structure. Between February 2010 and August 2012, AP paid gross commissions totalling \$6,086.
17. PE's account was fee based. PE paid \$9,589 in gross fees between June 2009 and February 2013.

Accounts not designated as managed accounts

18. None of the clients' accounts described above had been designated or approved as managed or discretionary accounts by Blackmont or Macquarie.

Suitability re: client PE

PE's account

19. PE opened an account with the Respondent in early 2009. PE's documentation for this account initially assessed his high risk tolerance as 10% of the account. The account documentation was updated in January 2012 to increase the high risk tolerance to 20% of the account.
20. The Respondent recommended various high risk securities for PE's account, which recommendations were unsuitable as they resulted in more than 20% of this account being held in high risk securities such as Avrev, Copper Mountain Mining and Sentry Select Precious Metals.
21. The securities held in PE's account consistently exceeded the 20% high risk threshold from December 2011 to February 2013. The percentage of high risk securities held ranged from 23% to 47%.

Supervision imposed by the firm

22. The Respondent was placed under close supervision by Blackmont from February 25, 2009 until June 11, 2010.
23. The Respondent was placed under strict supervision from June 11, 2010 until June 15, 2011 by Macquarie due to client complaints.
24. He was again placed under strict supervision by the firm from October 27, 2011 until March 2013. Debus left his employment with Macquarie in March 2013.

DATED at Toronto, Ontario this 10th day of July, 2017.