


NOV 20 2018

IN THE MATTER OF:

THE RULES OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AND

BRIAN ANTHONY PETERS

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 (“IIROC”) pursuant to Sections 8203 and 8205 of the Consolidated Enforcement, Examination and Approval 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: January 30, 2019 at 10:00 a.m.

The Initial Appearance will be held at: Reportex Agencies Ltd.
1010 – 925 West Georgia Street
Vancouver, BC

The Respondent must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated November 20, 2018 (“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 sanctions and costs against the Respondent pursuant to IIROC Dealer Member Rules 20.33 and 20.49 and Section 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 IIROC Dealer Member Rule 20.33, impose any one or more of the following sanctions:

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 for any period of time and on any terms and conditions;
- (d) imposition of any terms or conditions on the person's continued approval;
- (e) prohibition of approval in any capacity, for any period of time;
- (f) revocation of approval;
- (g) a permanent bar to approval in any capacity; and
- (h) any 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 20th day of November, 2018.



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

BRIAN ANTHONY PETERS

STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated November 20, 2018, Enforcement Staff of the Investment Industry Regulatory Organization of Canada make the following allegations:

PART I – REQUIREMENTS CONTRAVENED

Contravention 1

Between April 2011 and December 2012, Brian Peters failed to use due diligence to learn and remain informed of the essential facts relative to his client JG, contrary to Dealer Member Rule 1300.1(a).

Contravention 2

Between October 2010 and December 2012, Brian Peters failed to use due diligence to ensure that recommendations he made to his client JG were suitable for her, contrary to Dealer Member Rule 1300.1(q).

Contravention 3

Between October 2010 and December 2012, Brian Peters executed transactions in the account of his client JG, without obtaining proper instruction or direction from her, contrary to Dealer Member Rule 29.1.

PART II – RELEVANT FACTS AND CONCLUSIONS

Overview

1. Brian Peters (the “Respondent”) is a Registered Representative (“RR”) who works at the Vancouver office of Canaccord Genuity Corp. (“Canaccord”).
2. Between October 2010 and December 2012, the Respondent failed to know his client JG and made unsuitable recommendations for her. These unsuitable recommendations resulted in JG having an undue concentration of a single junior exploration company in her portfolio. That security declined significantly and resulted in large losses in JG’s accounts.
3. In the course of their relationship, the Respondent also made transactions in JG’s accounts without getting instructions from her to do so. These transactions were either discretionary or directed by JG’s husband, who was not properly authorized to direct transactions in JG’s accounts.

The Respondent

4. The Respondent was born in 1978. He entered the securities industry in 2005 as an RR at Canaccord’s Vancouver office and has worked there ever since.

The Client (JG)

5. JG is married to LG (the “Husband”). JG and her Husband (together, “the Gs”) are a married couple who live together in North Vancouver, British Columbia.
6. Throughout the entire time period relevant to these allegations the Gs rented the apartment they lived in. They did not own their home or any other real estate.
7. In 2008, the Gs opened investment accounts at Canaccord. The Respondent was the RR responsible for the Gs’ accounts.

8. The 2008 NCAF for JGs' accounts recorded the following:
- JG was born in 1961;
 - JG was a pharmacist who worked at Loblaws;
 - JG's annual income from all sources was \$100,000;
 - JG had no experience in venture situations, new issues or margin and only moderate (not extensive) experience in common shares;
 - JG's liquid assets were \$900,000, her fixed assets were \$100,000 and her liabilities were \$50,000;
 - JG's Investment Objectives were 33% Low-Medium Risk (Income), 33% Medium Risk, (Moderate Growth) and 34% Medium-High Risk (Short Term Trading);and
 - no person other than JG had any trading authority over or financial interest in JG's accounts.

9. The August 2008 NCAF for the Gs' joint accounts indicated the following:
- the Husband was also born in 1961;
 - the Husband worked as a Manager at Pharmasave;
 - the Husband's annual income from all sources was \$80,000;
 - the Gs' combined net worth was \$950,000;and
 - the Investment Objectives for the Joint Account were 33% Low-Medium Risk (Income), 33% Medium Risk, (Moderate Growth) and 34% Medium-High Risk (Short Term Trading).

The Gs' Accounts

10. In August 2008, the Gs opened the following registered and non-registered accounts (“the Gs' Accounts”) with the Respondent at Canaccord. The corresponding dollar amounts were the approximate starting dollar values of each of the Gs' Accounts. These amounts roughly equaled the Gs' combined net worth of \$950,000 represented on the NCAFs

Account	Starting Value
JG RSP	\$128,000
JG Spousal RSP	\$44,000
JG Cash	\$71,000
Joint Margin #1	\$129,000
Joint Margin #2	\$420,000
Husband RSP	\$162,000

11. The Respondent was aware that the Gs' non-registered accounts were funded in part by an investment loan of approximately \$200,000 from a bank.

The quick triple (Western Coal)

12. In 2010, the Respondent recommended and built up a significant holding of a junior mining company called Western Coal Corp. in the Gs' Accounts. Near the end of 2010 Western Coal announced it was being taken over by another company at a share price that was more than three times the price at which the Respondent first started purchasing it in the Gs' accounts. The Gs realized gains of approximately \$300,000 on their Western Coal transactions.
13. In late 2010, financial media speculated that demand from China would spur a global competition to secure coal assets.

Colonial Coal

14. In late 2010, the Respondent recommended and started purchasing shares of Colonial Coal International Corporation ("Colonial Coal") in the Gs' Accounts.
15. Colonial Coal was a junior exploration company that had never reported any revenues from its operations. It was listed for trading on the TSX Venture Exchange.
16. The Respondent believed Colonial Coal was a "super undervalued project" that had a "bigger upside" than Western Coal. The Respondent referred to Colonial Coal as a "6 bagger" meaning he believed its share price would increase in price by 600%.
17. On October 26, 2010, the Respondent made the first purchase of Colonial Coal in the JG Cash account as follows:

Date	Shares	Price	Total Cost	Account
Oct. 26 / 2010	25,000	1.03	\$26,251	JG Cash

18. The Respondent made this purchase without the knowledge or authorization of JG or the Husband.

The "Pounding the Table" email

19. On November 18, 2010, the Respondent sent an email to the Husband. In this email the Respondent first introduced the Husband to Colonial Coal and, in reference to the October purchase in the JG Cash account, wrote that he had already "bought a little bit for you."
20. In the same email, the Respondent touted the potential of Colonial Coal. He wrote in part as follows:

I HIGHLY recommend, i'm basically pounding the table that we buy a couple hundred grand of this.

December 2010 – January 2011 purchases

21. In December, 2010 and January 2011 the Respondent recommended and purchased an additional \$689,000 worth of Colonial Coal shares in the Gs' Accounts as follows:

In JG's RSP account:

Date(s)	Shares	Price	Total Cost	Account
Dec. 1 – 3 / 2010	108,400	1.23	\$134, 996	JG RSP

In the Husband's RSP:

Date(s)	Shares	Price	Total Cost	Account
Nov. 30 - Dec. 3 / 2010	89,500	1.23	\$111, 908	Husband's RSP
Jan. 26 / 2011	26,500	1.58	\$42, 372	Husband's RSP

In the Joint Margin #2:

Date(s)	Shares	Price	Total Cost	Account
Dec. 7 - 27 / 2010	225,500	1.29	\$296, 078	Joint Margin #2
Jan. 13 / 2011	42,000	1.82	\$77, 993	Joint Margin #2

In the JG Cash:

Date(s)	Shares	Price	Total Cost	Account
Jan. 20 / 2011	23,000	1.59	\$37, 326	JG Cash

22. The Respondent made the purchases in JG's RSP and JG's Cash account without instruction or authorization from JG. The Respondent had no direct communication with JG about any of these purchases. The Respondent only communicated with the Husband, who did not have trading authority over any of the JG accounts.
23. By the end of January 2011, Colonial Coal accounted for approximately 61% of the value of all of the holdings in all of the Gs' Accounts at Canaccord. The only asset the Gs had outside Canaccord was the accumulated value of JG's pension from Loblaw's.

JG's NCAF changed to 100% High Risk

24. In February 2011, the Respondent filed an "Update to Account Information" which changed JG's Investment Objective for her accounts to 100% "Speculative - High Risk." In the "Reason for change" section, the Respondent inserted in typed text "Capacity for Increased Risk." This document is signed by JG but her signature is undated.

JG losses her job

25. On April 6, 2011, the Husband advised the Respondent by email that JG had been terminated from her employment at Loblaw's after 23 years employment as a pharmacist.
26. JG's NCAFs were never updated to reflect the fact that she lost her job and income. In December 2011, the Respondent filed an updated Account Information document which included all required know your client information. This NCAF continued to represent JG as an employed pharmacist whose annual income was \$100,000 notwithstanding that the Respondent knew that JG had been laid off from this employment.

Increasing the bank loan

27. As previously indicated in paragraph 11, the Respondent was aware that the Gs' non-registered accounts were funded in part by an investment loan of approximately \$200,000 from a bank.
28. When he was advised by the Husband that JG had lost her job, the Respondent was in the process of working with the bank to increase the loan by approximately \$60,000, so that the Gs could use those funds to buy more shares of Colonial Coal.
29. After learning that JG had lost her job, the Respondent did not change his recommendation to borrow more money in order to buy more shares of Colonial Coal. Instead, he encouraged the Gs to complete the loan paper work as fast as possible so that JG would still be able to provide the bank with "current pay stubs" as evidence that she had an income that she did not actually have.
30. The Respondent had no communication with JG about the bank loan other than through the Husband.
31. In his communication with the Husband, the Respondent continued to tout Colonial Coal. In an email sent to the Husband on April 11, 2011, the Respondent in reference to Colonial Coal wrote in part:

I am so excited you have no idea ... they have something, I can feel it!!!! News should come this month.

May 2011 – May 2012 purchases

32. From May 2011 until the end of May 2012, the Respondent facilitated the purchase of an additional \$236,000 worth of Colonial Coal in the Gs' accounts as follows:

In the Joint Margin #2:

Date(s)	Shares	Price	Total Cost	Account
May 27 / 2011	20,000	1.53	\$31, 237	Joint Margin #2
Aug 12 / 2011	8,000	1.24	\$10, 143	Joint Margin #2
Dec 12 – 13 / 2011	50,000	1.41	\$71, 227	Joint Margin #2
Mar 20 / 2012	10,800	1.62	\$17, 737	Joint Margin #2
Apr 26 / 2012	2,250	1.09	\$2, 582	Joint Margin #2

In JG's RSP:

Date(s)	Shares	Price	Total Cost	Account
Apr 26 / 2012	12,100	1.09	\$13, 453	JG RSP

In the Husband's RSP:

Date(s)	Shares	Price	Total Cost	Account
Mar 30 / 2012	32,000	1.47	\$47, 765	Husband's RSP

In JG's Spousal RSP:

Date(s)	Shares	Price	Total Cost	Account
April 2 / 2012	25,000	1.47	\$37,326	JG Spousal RSP

Concentration

33. With these purchases, the Respondent had recommended and purchased more than \$950,000 worth of Colonial Coal shares in the Gs' Accounts. None of these shares were sold before additional shares were purchased.
34. Except for a few miscellaneous securities which totaled approximately \$20,000, Colonial Coal was the only asset the Gs had in their accounts with the Respondent at Canaccord.
35. By the end of June 2012, the value of these shares had been reduced to approximately \$550,000. Across all of the Gs' Accounts at Canaccord, Colonial Coal was 96% of their holdings by market value and even more concentrated when calculated by book value.
36. Except for the accumulated value of JG's pension from Loblaw's, which was about \$270,000 the Gs had no other assets and owed approximately \$260,000 on their investment loan that the Respondent helped them secure from a bank.

Using all of JG's pension to buy Colonial Coal

37. In July 2012, JG opened a Locked-In RSP account through the Respondent at Canaccord and transferred the full value of her pension account into it.

38. Approximately \$265,000 in cash was transferred in. From August through the end of November, 2012 the Respondent recommended and used essentially this full amount to purchase more shares of Colonial Coal as follows:

In the Locked-In RSP:

Date(s)	Shares	Price	Total Cost	Account
Aug 2 – 7 / 2012	68,350	.83	\$56,679	Locked-In RSP
Nov 2 – 27 / 2012	300,000	.70	\$208,816	Locked-In RSP

39. With these purchases, the Respondent had recommended and purchased more than \$1.2 million worth of Colonial Coal shares in the Gs' accounts. None of these shares were sold before additional shares were purchased.

Conclusion

40. The concentration of one security in her Locked – In RSP and her other individual accounts (JG Cash, JG RSP, JG Spousal RSP) was unsuitable for JG.
41. In recommending and purchasing such a concentration of Colonial Coal shares, the Respondent demonstrated that he failed to learn or simply ignored essential facts about JG. Most notable among these essential facts was that JG had no other assets and after April 2011 was 50 years old and without steady employment.
42. The Respondent executed all of the transactions in JG's individual accounts without getting instructions directly from her.
43. The market value of Colonial Coal shares continued to steadily decline and the Gs' held all of the shares set out above all the way down.
44. By June 2015, share price of Colonial Coal was less than \$0.10 and it has not recovered.
45. JG and her Husband have incurred significant financial losses.

DATED at Vancouver, British Columbia this 20th day of November, 2018.