

IN THE MATTER OF:

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

AND

ALBERTO STORELLI

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: March 6, 2020 at 2:00 p.m.

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

The Respondent must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated January 6, 2020 (“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 an:

- 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 Rule 29.1, and Consolidated Rules 1400 and 8104.

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 29.1 and Consolidated Rules 1400 and 8104, 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 6th day of January, 2019.

"National Hearing Coordinator"
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

ALBERTO STORELLI

STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated January 6, 2020, Enforcement Staff of the Investment Industry Regulatory Organization of Canada (IIROC) make the following allegations:

PART I – REQUIREMENTS CONTRAVENED

Contravention 1

Between September 2014 and December 2017, the Respondent, Alberto Storelli, paid financial compensation to clients without the knowledge or approval of his Dealer Member, contrary to Dealer Member Rule 29.1 and Consolidated Rule 1400.

Contravention 2

In or about June 2015, Storelli created and provided to clients an account statement that was not authorized by his Dealer Member, contrary to Dealer Member Rule 29.1.

Contravention 3

Between January 2017 and January 2018, Storelli made misrepresentations to Enforcement Staff during the course of an investigation, contrary to Consolidated Rule 1400.

Contravention 4

Between February 2018 and March 2018, Storelli failed to cooperate with Enforcement Staff who were conducting an investigation, contrary to section 8104 of the Consolidated Rules.

PART II – RELEVANT FACTS AND CONCLUSIONS

Overview

1. While he was a Registered Representative at a Dealer Member, Storelli agreed to make and made secret financial payments to clients. The payments were an attempt to cover up existing or potential client complaints.
2. Storelli also created and provided an account statement to clients that contained information that he knew, or ought to have known, was false.
3. Further, Storelli also attempted to appease some of his clients who had lost money in an investment he had recommended by telling them that they would be compensated by a trust that he had established.
4. When Enforcement Staff attempted to investigate Storelli's conduct, he gave misleading information and failed to provide required information.

The Respondent

5. In or around 1999, Storelli began working in the investment industry as a mutual fund salesperson.
6. In May 2010, Storelli began working as a Registered Representative (Securities) at the Richmond, British Columbia business location of Global Maxfin Capital Inc., an IIROC Dealer Member.
7. In July 2017, Storelli resigned from Global Maxfin and he has not been registered with IIROC since then.

I. COMPENSATING CLIENTS

Client: LC

8. LC's brother was a close friend of Storelli's.
9. In 2010, LC opened an investment account at Global Maxfin. At all material times, Storelli was the Registered Representative who was responsible for LC's investment account.
10. At the time that LC opened the investment account:
 - he was 43 years old;
 - he worked as a courier;
 - his investment knowledge was good; and
 - his previous investment experience was limited to mutual funds.
11. On the recommendation of Storelli, LC obtained a leveraged loan to purchase mutual funds. The loan was secured by the mutual funds.
12. As long as the value of the mutual funds relative to the amount owed on the loan (the "Loan Ratio") remained at or above a set ratio, the loan only required interest payments to be made, rather than principal and interest payments. The loan was structured so that the interest was paid by withdrawing a monthly amount from the mutual funds that were purchased with the loan proceeds.
13. If the mutual funds generated a higher return than what was being charged for the loan, this strategy might have been sustainable.
14. However, the mutual funds that Storelli recommended did not generate a return that was greater than the interest being charged for the loan. Therefore, the interest payments could only be made by selling some of the mutual fund units.

15. As the value of the mutual funds declined, the Loan Ratio eventually reached a percentage where the loan agreement required payments on the principal to be made in addition to interest payments. Since LC was unable to fund principal payments, he had to sell even more mutual fund units.

LC's Written Complaint

16. On September 26, 2014, Global Maxfin received a letter of complaint dated September 17, 2014 from LC. The complaint letter was copied to Storelli.
17. On September 29, 2014, a Global Maxfin Supervisor emailed LC to tell him that Global Maxfin was assessing the details of his complaint.
18. On October 2, 2014, Storelli advised a Global Maxfin Supervisor that he had met with LC and that LC wished to withdraw the complaint. The Global Maxfin Supervisor instructed Storelli to have LC email the Supervisor directly in order to withdraw the complaint.
19. On October 10, 2014, Storelli, without the knowledge or approval of Global Maxfin, entered into a written agreement with LC which stipulated the following:
 - Storelli would pay LC \$9,000, starting with a \$3,000 bank draft and then six postdated payments of \$1,000.
 - Storelli would only provide the money to LC after he withdrew his complaint to Global Maxfin.
 - Storelli would also pay the required monthly interest (as of that date \$113, but subject to change) on the leveraged loan until the loan was paid off. If the underlying monthly payment increased, Storelli would be responsible to pay the difference between the amount of the required payment and the amount of the distribution from the mutual fund in that month.

- If the underlying mutual funds were ultimately sold for less than the amount outstanding on the leveraged loan, Storelli would pay the difference.
20. On that same day, October 10, 2014, LC emailed the Global Maxfin Supervisor and Storelli to say:
- Upon further review please be advised that I would like to withdraw my complaint dated September 17, 2014 against Alberto Storelli.
21. Between October 2014 and the end of 2017, Storelli paid LC approximately \$10,000. These payments were made without the knowledge or consent of Global Maxfin to ensure LC would not revive his complaint to Global Maxfin.

Clients: AA and HA

22. AA and HA (collectively, “the As”) are a married couple. At all material times, Storelli was married to their niece.
23. In 2010, the As each opened investment accounts at Global Maxfin. At all material times, Storelli was the Registered Representative who was responsible for their investment accounts.
24. At the time the As opened their investment accounts:
- AA was 64 years old;
 - HA was 54 years old;
 - they were both retired;
 - their investment knowledge was good; and
 - they only had experience investing in mutual funds.

25. At various times the As purchased securities that Storelli recommended. Ultimately, the As lost money on these investments. As a result, AA complained to Storelli about their losses and Storelli agreed to compensate them.
26. Storelli signed a promissory note in which he promised to pay the total amount lost by the As by January 31, 2018. Until that date arrived, the promissory note indicated that Storelli would deposit \$1,000 into their bank account every month.
27. Storelli made a number of \$1,000 payments to the As.
28. On March 10, 2015, Storelli signed a promissory note in which he promised to pay \$69,624 by March 8, 2018. Storelli did not pay that amount by March 8, 2018.

Clients: AN & MN

29. AN and MN (collectively, “the Ns”) are a married couple. In 2012, they each opened a number of investment accounts at Global Maxfin. At all material times, Storelli was the Registered Representative who was responsible for their investment accounts.
30. At the time the Ns opened their investment accounts:
 - AN was 67 years old;
 - MN was 69 years old;
 - they were both retired and living on pension income;
 - their investment knowledge was good; and
 - they only had experience investing in mutual funds.
31. The Ns informed Storelli that they wanted their investments to provide them with a monthly income.

32. In or around April 2012, Storelli recommended that AN and MN each purchase in their respective Registered Retirement Savings Plan (RRSP) accounts shares of the following two private companies:

- Member-Partners Solar Energy 10.5% 31July14 (Member-Partners Solar Energy); and
- IGW REIT Class II Series 7B (IGW REIT).

33. Storelli indicated that these investments would each provide them with monthly payouts.

34. As a result, AN and MN made the purchases that are detailed in the following table:

Account	Security	# of Shares	Approximate Cost
AN Locked-in RRSP	Member-Partners Solar Energy	50,000	\$50,000
AN RRSP	IGW REIT	50,000	\$50,000
MN RRSP	Member-Partners Solar Energy	50,000	\$50,000
MN RRSP	IGW REIT	50,000	\$50,000

35. In October 2013, the Supreme Court of British Columbia granted the IGW REIT protection from its creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36.

36. As a result, the IGW REIT ceased making monthly payments to the Ns.

37. Ultimately, there was no recovery to any of the investors in the IGW REIT from the bankruptcy proceedings.

38. In or around 2014, Storelli agreed to pay the Ns \$500 per month in order to compensate them for the loss of their monthly income.
39. Between September 2014 and October 2017, Storelli paid the Ns at least \$18,000.

II. CREATING ACCOUNT STATEMENTS

40. The N's September 2013 Global Maxfin account statements indicated the value of the Member-Partners Solar Energy and IGW REIT was "N/A".
41. As a result in or around October 2013, AN telephoned Global Maxfin to express concern about the value of their holdings.
42. By way of a November 22, 2013 letter, a Global Maxfin Supervisor advised AN that Global Maxfin's Carrying Broker had adopted a new policy for the valuation of private securities. Under the new policy the Carrying Broker required all the issuers of private companies to provide Global Maxfin with an updated opinion of the current value of the private company every 100 days. If the private company did not provide an updated opinion then the shares would revert to a value of \$0.00.
43. In or around August 2014, AN telephoned Global Maxfin to again complain about the fact that their Global Maxfin account statements did not indicate a value for the investments. A Global Maxfin Supervisor informed AN that Global Maxfin was not yet able to obtain an updated opinion of the current value of the private companies.
44. In May 2015, the Ns emailed Global Maxfin and advised that they were having a difficult time qualifying for bank financing. The Ns further advised Global Maxfin that they believed that having some evidence on the value of the private companies might make a difference in them getting the loan.

45. In June 2015, Storelli created and delivered his own account statements to the Ns. The statements indicated the “Market Value” of each security was still \$50,000, even though Storelli knew, or ought to have known, that the IGW REIT was worthless.

III. MISREPRESENTATIONS TO ENFORCEMENT STAFF

The New Life Capital Companies

46. New Life Capital Corp. and its related companies was in the life settlement business. A life settlement is a transaction pursuant to which a life insurance policy is sold to a third party for an amount less than the maturity value. The third party then makes any required premium payments and upon the death of the underlying insured collects the death benefit under the policy.
47. In total, New Life raised approximately \$22.6 million from investors. The vast majority of this amount was raised from investors through the New Life Capital Investments Program which raised \$22 million from the sale of class A Common shares to approximately 600 investors in Canada.
48. New Life used some of the funds that it raised to purchase a portfolio of life insurance policies or life settlements.
49. In August 2008, the Ontario Securities Commission issued a Temporary Cease Trade Order against New Life and a Direction to freeze funds in its bank accounts.
50. In December 2008, KPMG Inc. was appointed Receiver and Manager of all the property, assets, and undertakings of New Life. The assets included the portfolio of life insurance policies issued by various insurance companies in the United States.
51. Ultimately, those who purchased shares from the New Life Capital Investments Program lost their investment.

Storelli Referred Clients to New Life

52. From 2007 until the summer of 2008, while registered with the Mutual Fund Dealers Association of Canada (MFDA), Storelli was a referring advisor for New Life. During that time he recommended and sold New Life investments to his clients.
53. Ultimately, some of these clients opened up investment accounts with Storelli when he started working at Global Maxfin.

Storelli Claims He Purchased An Insurance Policy

54. In November 2016, Enforcement Staff was provided with a copy of a letter dated December 8, 2014 from a lawyer to a client of Storelli's which stated:

Please be advised that you are named as a beneficiary of the New Life Trust (the "Trust") which was established by Albert Storelli for the sole purpose of maintaining a life insurance policy (the "Policy") that was formerly owned by the New Life Capital Corporation.

The Trust is not in any way related to the New Life Capital Corporation, which remains in receivership. As a gesture of good will to clients, Mr. Storelli intends to contribute funds to the Trust in order to pay premiums on the Policy for as long as possible. However, you should understand that he is under no obligation to continue doing so.

In the event that a death benefit is paid on the Policy, appropriate taxes and expenses will be paid by or on behalf of the Trust. Net proceeds would be distributed to Trust beneficiaries in proportion to their investment in New Life Capital Corporation.

55. By way of a November 16, 2016 letter, Enforcement Staff asked Storelli to comment on his involvement with New Life and on whether he was personally paying insurance premiums for clients that had previously invested in New Life. Enforcement Staff required Storelli to provide this information by December 2, 2016.
56. On November 25, 2016, Storelli requested a three-week extension to the deadline. Enforcement Staff granted the extension.

57. On December 15, 2016, Storelli requested a further extension to January 14, 2017. Enforcement Staff granted the extension.
58. By way of a January 13, 2017 letter, Storelli informed Enforcement Staff that:
- In August 2012, through a trust that his lawyer created (the "Trust"), he had purchased a \$6,000,000 insurance policy from KPMG as Trustee for New Life.
 - He personally paid approximately \$38,000 to acquire the insurance policy and he was personally paying monthly premiums of \$9,000 on the policy, which were escalating at a rate of 9% to 12% per annum.
 - He made his clients beneficiaries of the insurance policy in an effort to preserve their investments in New Life.
 - He was not a beneficiary of the Trust.

Enforcement Staff Request a Copy of the Insurance Policy Documents

59. By way of a March 7, 2017 letter, Enforcement Staff asked Storelli to provide a copy of the following documents by March 21, 2017:
- the trust agreement for the Trust;
 - the insurance policy that was held in the Trust; and
 - the purchase agreement for the insurance policy.
60. By way of a March 21, 2017 email, Storelli requested that the deadline be extended to May 21, 2017, because the lawyer that he had used for the trust agreement "has all the documentation you are requesting" but was away until May 15, 2017. Storelli further indicated that extending the deadline would ensure that all the requested items would be presented to Enforcement Staff "in full."
61. By way of a March 22, 2017 email, Enforcement Staff sent the following reply to Storelli:

We understand the requested documents may not be available to you at this time. However, in order that we may continue with our investigation, we require you to provide the following information forthwith:

- The names of the settlor, trustee and beneficiaries of the Trust.
- Identify the beneficiaries that are also clients of Global Maxfin Capital.

Please ensure you forward the requested documents immediate{ly} upon your lawyer's return.

62. On Saturday, April 1, 2017, Storelli left a voice mail message for Enforcement Staff in which he indicated that he was on vacation until April 21, 2107.
63. By way of an April 3, 2017 email, Enforcement Staff again asked Storelli to provide the names of the settlor, trustee, and beneficiaries of the Trust.
64. By way of an April 12, 2017 letter, Enforcement Staff informed Storelli that he was compelled to provide the requested information by May 1, 2017.
65. By way of a May 1, 2017 email, Storelli informed Enforcement Staff that:
 - the insurance policy in question lapsed over two years prior;
 - he was trying to obtain the documents but the lawyer who set up the Trust for him was away until May 15, 2017; and
 - at that time he didn't have any documents to give to Enforcement Staff.
66. On May 8, 2017, Enforcement Staff wrote Storelli's legal counsel to schedule an investigative interview. Ultimately, the interview was held on June 20, 2017.

First Investigative Interview

67. During his June 20, 2017 investigative interview Storelli stated:
 - While he was registered with the MFDA, approximately 115 of his clients invested in New Life. Collectively, they lost approximately \$5,000,000.

- Some of these clients became his clients at Global Maxfin.
- In December 2012, he purchased a \$6,000,000 life insurance policy out of bankruptcy from KPMG. The policy was one of the insurance policies that his clients had invested in through New Life.
- In 2012, his lawyer created the Trust to house the insurance policy that he purchased.
- His clients were the beneficiaries of the policy.
- His lawyer had a list of the beneficiaries and he could get it, but he did not bring it to the interview.
- Over a period of years, he personally paid between \$200,000 to \$300,000 to purchase and to maintain the insurance policy.
- Around the middle of 2014, he stopped paying the monthly premiums on the insurance policy because he could no longer afford to pay them. Therefore, the insurance policy lapsed in 2014 and the insurance policy cannot be revived.
- A letter dated December 8, 2014 from his lawyer telling recipients that they were beneficiaries of the Trust was not sent to all of the beneficiaries, only those who asked for it.

Storelli Provides the Trust Agreement Only

68. By way of a July 24, 2017 email, Enforcement Staff asked when it could expect to receive the documents in relation to New Life.
69. By way of an August 14, 2017 letter, Enforcement Staff again asked Storelli to provide the documents that it had originally requested on March 7, 2017. Enforcement Staff further advised that failure to provide the documents by September 8, 2017 would be considered a failure to cooperate with the investigation.

70. On August 22, 2017, Storelli sent Enforcement Staff a copy of the Trust Agreement.
71. Storelli did not deliver a copy of the:
- the insurance policy that was held in the Trust; and
 - the purchase agreement for the insurance policy.
72. The Trust Agreement was signed on March 11, 2015. However, in his January 13, 2017 letter to Enforcement Staff and during the course of his June 20, 2017 investigative interview, Storelli indicated that the Trust had been established in 2012.
73. Further, considering Storelli's other previous representations to Enforcement Staff, the establishment of the trust in March 2015 would have been:
- more than two years after he purchased the insurance policy in December 2012;
 - almost one year after the insurance policy lapsed because he stopped paying the monthly premiums in the middle of 2014; and
 - about three months after some of the beneficiaries were notified in writing in December 2014 that they were beneficiaries of the Trust.

Second Investigative Interview

74. On September 19, 2017, Enforcement Staff wrote to Storelli to remind him that he had still not provided a copy of the:
- insurance policy that was held in the Trust; and
 - purchase agreement for the insurance policy.
75. In November 2017, Enforcement Staff sought to arrange a second investigative interview of Storelli. Ultimately, the interview was held on January 30, 2018.
76. During his January 30, 2018 investigative interview, Storelli stated:

- At some point in 2017 he had called KPMG but could not remember who he spoke with and had no record of when he called.
- A copy of the life insurance policy that was held in the Trust was not available because the KPMG trustee that was dealing with this file had retired.
- He did not know where any documents in relation to the insurance policy were.

77. At the January 30, 2018 interview, Enforcement Staff again asked Storelli to provide a copy of the:

- insurance policy that was held in the Trust; and
- purchase agreement for the insurance policy.

Enforcement Staff's Final Request

78. By way of March 6, 2018 letter, Enforcement Staff again asked Storelli to provide a copy of the:

- insurance policy that was held in the Trust; and
- purchase agreement for the insurance policy.

79. In that March 6, 2018 letter, Enforcement Staff also advised Storelli that Enforcement Staff had confirmed with a representative of KPMG that KPMG possessed the records of all life insurance policies sold in relation to their trusteeship of New Life. Enforcement Staff gave Storelli the name and telephone number for the KPMG representative.

80. Storelli has not delivered the requested documents to Enforcement Staff or provided any further information about the documents.

81. Further, in its Tenth Report to the Ontario Superior Court of Justice, KPMG reported that between October 31, 2011 and February 15, 2013, on behalf of New Life it had only sold one insurance policy. The face value of that insurance policy was \$3,000,000. As

detailed above, Storelli indicated that in 2012 he had purchased one \$6,000,000 insurance policy from KPMG.

IV. FAILURE TO PROVIDE INFORMATION

82. In the course of his January 30, 2018 investigative interview, Storelli admitted that he had, among others, compensated LC and the Ns. Storelli also admitted that he had compensated other clients, but he could not remember their names. At the interview, Storelli agreed to provide the names of all clients with whom he had entered into any type of payment arrangement.
83. By way of a February 1, 2018 letter, Enforcement Staff asked Storelli to provide the following by February 28, 2018:
- the names of any current or former clients that he has directly or indirectly paid money to or compensated in any way (including the amounts paid); and
 - details of the amounts of money he paid to the Ns and to LC.
84. Storelli did not provide this information by February 28, 2018.
85. By way of a March 6, 2018 letter, Enforcement Staff again asked Storelli to provide this information.
86. To date Storelli has not provided the information that Enforcement Staff requested in its February 1, 2018 letter.

DATED at Vancouver, British Columbia this 6th day of January, 2020.