

IN THE MATTER OF:

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

AND

BONNIE WYATT

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 by way of videoconference on Wednesday January 20, 2021 at 10:00 am.

The Respondent must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated October 27, 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.

The Hearing will be conducted as: an oral hearing, in-person or by videoconference.

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 Sections 8210 and 8214 and/or IIROC Dealer Member Rule 20.33.

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 Section 8210 and/or IIROC Dealer Member Rule 20.33, impose any one or more of the following sanctions:

- (a) a reprimand;
- (b) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention;
- (c) 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 person, directly or indirectly, as a result of the contravention.
- (d) 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;

- (e) imposition of any terms or conditions on the person's continued approval or continued access to a Marketplace;
- (f) prohibition of approval in any capacity, for any period of time, including access to a Marketplace;
- (g) revocation of approval;
- (h) a permanent bar to approval in any capacity or to access to a Marketplace;
- (i) permanent bar to employment in any capacity by a Regulated Person, and
- (j) 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 Section 8214 and/or IIROC Dealer Member Rule 20.49.

DATED this 28th day of October, 2020.



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

BONNIE WYATT

STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated October 28, 2020, Enforcement Staff make the following allegations:

PART I – REQUIREMENTS CONTRAVENED

Contravention 1: Between January 2016 and September 2018, the Respondent failed to comply with her Dealer Member’s policies and procedures by facilitating new investment loans for sixteen clients, contrary to Dealer Member Rule 29.1 (prior to September 1, 2016) and Consolidated Rule 1400 (after September 1, 2016).

Contravention 2: Between August 2017 and September 2018, the Respondent recommended borrowing to invest for twelve clients for whom it was not suitable, contrary to Dealer Member Rule 1300.1(q).

Contravention 3: Between November 2017 and September 2018, the Respondent sent misleading correspondence to four clients, contrary to Dealer Member Rule 29.7(1).

PART II – RELEVANT FACTS AND CONCLUSIONS

Overview

1. Between January 2016 and September 2018, the Respondent, a Registered Representative at Global Maxfin Capital Inc. (“GMCI”), utilized a high risk leveraged investment strategy for clients. The Respondent facilitated new investment loans and then purchased investments for these clients with the borrowed funds, contrary to GMCI’s policies and procedures, which did not permit new investment loans for GMCI clients.
2. Furthermore, following February 2017, GMCI’s policies and procedures were revised to require its Registered Representatives to ask on opening account documentation if a client had previously borrowed to invest. After February 2017, however, the Respondent’s client account documentation specifically indicated that certain clients had not borrowed to invest, which was not accurate.
3. Many of the clients’ new account application forms indicated zero tolerance for high risk. The Respondent’s high risk strategy of borrowing to invest was not suitable for these medium risk clients.
4. In addition, the Respondent sent misleading email correspondence to four clients regarding Principal At Risk Notes (“PAR Notes”) and Principal Protected Notes (“PPN”). These emails indicated that PAR Notes were more conservative than the actual risk.

Background

5. The Respondent was employed as a Registered Representative at GMCI between July 2015 and July 2019. The Respondent has been working at Integral Wealth Securities Ltd. since July 29, 2019.

GMCI's Policies and Procedures

6. In 2015 and 2016, GMCI's policies and procedures stated that no new leveraged accounts would be approved by GMCI. GMCI did allow clients with pre-existing leveraged investments to transfer those investments into GMCI. These pre-existing accounts were coded "02Q" and were subject to increased monitoring.
7. In 2016, GMCI required additional documentation regarding the use of leverage prior to opening any leveraged account that contained previously purchased investments. A number of criteria were to be reviewed to determine if the pre-existing leveraged account was suitable for the GMCI client.
8. Effective December 31, 2016, all accounts coded as leveraged were to be restricted from buying and selling activity until a current leveraged account package was submitted to a Branch Manager and the Compliance department.
9. GMCI's policies and procedures manual dated February 22, 2017 (the "2017 Manual") indicated that additional documentation was required for pre-existing investment loans. The 2017 Manual indicated that GMCI did not allow any new investment loans. The 2017 Manual was in place up until the time of the Respondent's departure from the firm in July 2019.

10. After February 2017, GMCI's Know Your Client forms ("KYC") specifically asked whether the client had borrowed to invest.

GMCI Attestation Forms

11. In 2016 and 2017, the Respondent signed attestation forms indicating that she understood and agreed to comply with GMCI's policies and procedures. By email dated December 27, 2017, the Respondent was reminded of the firm's policies and procedures. The Respondent did not sign the 2018 annual attestation form.

Facilitation of Investment Loans

12. The Respondent opened accounts for sixteen clients for which she recommended a high risk investment strategy of borrowing to invest and facilitated investment loans or lines of credit to purchase securities, between January 2016 and September 2018 (the "Relevant Period").
13. Schedule A lists sixteen clients for whom the Respondent facilitated new investment loans and purchased securities during the Relevant Period.
14. The Respondent recommended that the clients obtain a line of credit or investment loan from BMO, and often to refinance their mortgage. She then invested all or part of the proceeds in various securities. Borrowing to invest is a high risk strategy. The Respondent told Staff that many of her clients were using this leveraged investment strategy.
15. The sixteen accounts in Schedule A were not properly coded, as required by GMCI, in order to identify them as leveraged accounts.

16. In addition, after the spring of 2016, the Respondent did not obtain the required documentation for the clients, which would have indicated to GMCI that the clients had, in fact, borrowed to invest.
17. Furthermore, after February 22, 2017, GMCI's revised KYCs asked: "Has the client borrowed to invest". Twelve of the clients in Schedule A had KYCs dated after February 22, 2017, that indicated they had not borrowed to invest. These KYCs were not updated by the Respondent to correct the inaccurate information.

Suitability

18. Twelve of the sixteen clients' KYCs indicated 100% medium risk with no high risk tolerance.
19. The Respondent's recommendation to borrow to invest was not suitable for the clients, given the stated risk tolerance.

Misleading Correspondence

20. On one occasion, the Respondent sent a client email correspondence which described features of PPNs. The Respondent then purchased a PAR Note for the client instead. On three occasions, the Respondent sent email correspondence to clients which described features of PPNs but then listed PAR Notes as examples, which would indicate that the PAR Notes were 100% principal protected, which was not the case.
21. The Respondent sent emails to the following clients:
 - Client LS, email dated April 16, 2018, \$20,000 PAR Note purchased May 8, 2018 in LS's cash account
 - Client ST, email dated Nov 29, 2017, \$187,000 PAR Notes purchased Nov 2017

- Client BM, email dated April 3, 2018, \$165,000 PAR Notes purchased March and April 2018
- Client NA, email dated Sept 19, 2018, \$580,000 PAR Notes purchased September 2018

22. LS complained to the Respondent and GMCI. LS' PAR Note was sold on September 20, 2018 for \$18,898.

Firm Imposed Supervision

23. On April 3, 2019, the Respondent was advised by her firm that she was being placed under strict supervision, as a result of allegations of non-compliance, including misleading information in client emails and incomplete and inaccurate client documentation. The Respondent left GMCI in July 2019.

DATED at Toronto, Ontario this 27th day of October, 2020.

SCHEDULE A

Summary of Sixteen Investment Loans Facilitated by the Respondent

Client Name	Date KYC, % risk	Investment Loan details	Date Funds Deposited	Date of Purchases
DA	Jan. 18, 2018 100% medium	\$410,000 investment loan, see March 13, 2018 email to DA	\$410,000 on March 12, 2018	Over \$300,000 investments purchased March 15-19, 2018
NA	June 29, 2018 100% medium	\$610,000 LOC, see September 19, 2018 email to NA	\$610,000 on September 4, 2018	\$580,000 PAR Notes purchased September 6 and 7, 2018
MC	March 16, 2016 100% high	\$114,000 investment loan, see July 26, 2016 email to MC \$90,000 investment loan, see Oct 27, 2017 email to MC	-\$114,000 on July 8, 2016 -\$90,000 on October 16 & 20, 2017	-\$100,000 of investments July 28, 2016 -\$80,000 of investments October 20-25, 2017
CD	Jan. 7, 2018 100% medium	\$267,000 investment loan, see March 6, 2018 email to CD	\$267,000 on March 6, 2018	\$240,000 of investments purchased March 9, 2018
PD	June 2, 2017 100% medium	\$250,000 investment loan, see Aug. 23, 2017 email to PD	\$249,000 on August 25, 2017	\$220,000 of investments purchased August 31, 2017
CRD	September 14, 2017 100% medium	\$143,000 line of credit, see Nov. 7, 2017 email to CRD	\$143,000 on November 7, 2017	\$125,000 of investments purchased on November 9 and 10, 2017
MK	May 25, 2017 100% medium	\$154,000 line of credit, see Sept. 6, 2017 email to MK	\$154,000 on August 31, 2017	\$135,000 of investments purchased on September 8, 2017
RK	July 28, 2018 100% medium	\$235,000 investment loan, see Sept. 19, 2018 email to RK	\$235,000 on September 20, 2018	\$220,000 of investments purchased on September 25 and 26, 2018

BM	December 5, 2017 100% medium	\$210,000 investment loan, see April 3, 2018 email to BM	\$210,000 on March 28, 2018	\$195,000 of investments purchased in March 2018 and April 2018
SP and CP	April 23, 2018 100% medium	\$200,000 investment loan, see July 24, 2018 email to SP	\$199,500 on July 24, 2018	\$200,000 of investments purchased on July 27, 30 and 31, 2018
NR	August 5, 2016 100% high	\$329,000 investment loan, see August 16, 2016 email to NR	\$329,000 on August 19, 2016	\$300,000 of investments purchased August 29, 2016
GR	February 26, 2018 100% medium	\$768,000 investment loan, see June 29, 2018 email to GR	\$738,000 on June 28, 2018 and \$33,000 on July 6, 2018	\$735,000 of investments purchased July 5, 6, 10 and 11, 2018
LS	October 3, 2015 100% high	-\$63,000 investment loan, see November 18, 2016 email to LS -April 16, 2018 email to LS re PPNs	\$65,000 on January 20, 2017 \$20,000 on May 7, 2018	\$60,000 of investments purchased January 30 and 31, and Feb 2 and 6, 2017 \$20,000 of PAR Notes purchased May 8, 2018
ST	October 23, 2017 100% medium	\$200,000 investment loan, see November 29, 2017 email to ST	\$199,500 on November 27, 2017	\$187,000 PAR Notes purchased November 28, 2017
PW	August 27, 2015 100% high	\$239,000 new investment loan, see email March 18, 2016 to PW	\$239,000 on February 23, 2016	\$20,000 purchased Feb 25, 2016 and \$215,000 investments purchased March 10, 2016
MM	Dec. 6, 2017 100% medium	\$258,000 new investment loan, see Jan. 31, 2018 email to MM	\$258,000 on January 29, 2018	\$230,000 of investments purchased February 1, 2018