

**IN THE MATTER OF:**

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

**AND**

**THOMAS ROBERT STOCK**

**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 June 9, 2021 at 10:00 a.m. (PST).

The Respondent must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated March 1, 2021 (“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 Respondent may object to the format of the Hearing. The objection must be made in accordance with Section 8409.

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 Section 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 Section 8210, 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.

**DATED** this 1st day of March, 2021.

**"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**

**THOMAS ROBERT STOCK**

**STATEMENT OF ALLEGATIONS**

Further to a Notice of Hearing dated March 1, 2021, Enforcement Staff make the following allegations:

**PART I – REQUIREMENTS CONTRAVENED**

**Contravention 1**

Between April 2017 and March 2018, the Respondent engaged in excessive trading in the accounts of LN which was not within the bounds of good business practices and not suitable for LN contrary to Dealer Member Rules 1300.1(o) and 1300.1(q).

**Contravention 2**

Between August and November 2020, the Respondent failed to cooperate with IIROC Enforcement Staff (“Staff”) who were conducting an investigation, contrary to section 8104 of the Consolidated Rules.

## PART II – RELEVANT FACTS AND CONCLUSIONS

### Overview

1. The Respondent engaged in unsuitable and excessive trading in a client account, preferring his own interests over those of the client. In addition, the Respondent failed to cooperate with Staff's investigation into his conduct.

### Background

2. The Respondent has worked in the securities industry since June 2000. He has been approved as a Registered Representative with various Dealer Members since May 2001 (other than a brief period between August 2008 and February 2009).
3. Between February 2009 and May 2016, the Respondent worked as an RR in the Vancouver office of Global Securities Corp. ("GSC"). While registered at GSC, the Respondent opened accounts for SH and LN (SH's spouse at the time). All investment decisions for the GSC accounts were made by SH.
4. In May 2016, the Respondent moved to the Vancouver office of Haywood Securities Inc. ("HSI"), where he worked as an RR.
5. In June 2016, the Respondent opened an RRSP account with both CDN\$ and US\$ components for LN. The CDN\$ component had an initial balance of approximately CDN\$13,800 and the US\$ component had an initial balance of approximately US\$13,500. Neither account was actively traded until April 2017.
6. In April 2017, SH and LN divorced and divided their financial assets. Approximately CDN\$175,000 was transferred into LN's RRSP account as part of the divorce settlement.

7. In April 2017, the Respondent also opened a US\$ cash account for LN and securities valued at approximately US\$354,000 were transferred “in kind” into LN’s US\$ cash account.
8. Beginning in April 2017, the Respondent engaged in a pattern of excessive trading that was not within the bounds of good business practice and unsuitable for LN. The pattern of trading continued until LN complained to the Respondent about the management of her accounts in the fall of 2017.
9. In February 2018, LN escalated her concerns to HSI’s compliance department and requested compensation for the mismanagement of her account. In April 2018, HSI agreed to compensate LN, having concluded after an internal review that the trading was unsuitable for her.
10. The Respondent was internally disciplined by HSI. He received a formal reprimand, was required to reimburse HSI the amount of the compensation paid to LN together with a portion of HSI’s legal costs and was placed under heightened supervision for a period of twelve months.
11. In February 2019, the Respondent was terminated from HSI in good standing.
12. The Respondent has failed to cooperate with Staff’s investigation. Opening letters sent by registered mail have been returned unclaimed and several voice mail messages requesting an interview have gone unanswered. The Respondent has failed to attend a compelled investigation interview despite having been personally served with the request.

## The L.N. Accounts

13. The Respondent opened registered accounts for LN in June 2016. The NCAF for the RRSP account included the following information:
- a. Date of birth – August 19, 1965
  - b. Employment status – homemaker
  - c. Estimated liquid assets - \$2,000,000
  - d. Estimated fixed assets - \$2,000,000
  - e. Current annual income from all sources - \$100,000
  - f. Source of annual income – investments
  - g. Investment knowledge – good
  - h. Investment objectives / risk tolerance – partially fund retirement, retirement savings
  - i. Time horizon – five to ten years
14. The category of investment objective / risk tolerance identified on the NCAF was “Growth” and included the following description:
- My primary investment objective is to have a portfolio that has the potential for above-average returns. I am willing to accept a medium to high level of risk and a corresponding degree of price volatility. I am also prepared to accept the temporary loss of capital and the potential for some permanent loss of capital. I do not require the portfolio to be diversified, to produce or supplement my income and I am prepared to accept periods of illiquidity.*
15. As of June 30, 2016, the balances in the two components of the RRSP account were CDN\$13,811.42 and US\$13,506.42. The CDN\$ component had no trading activity between June 2016 and March 2017. The US\$ component had six trades over the same time period. As of March 31, 2017, the account balances were CDN\$ 13,811.42 and US\$17,966.01.

16. In April 2017, the Respondent opened a new US\$ cash account for LN to facilitate the transfer of funds arising from the divorce settlement. This NCAF contained similar information to the RRSP NCAF described in paragraphs 13 and 14, with the following changes:
  - a. Employment – homemaker / aspiring filmmaker
  - b. Estimated liquid assets - \$1,000,000
  - c. Estimated fixed assets - \$2,000,000
  - d. Current annual income from all sources - \$300,000
  - e. Time horizon – three to five years
  
17. These NCAFs do not accurately represent LN’s financial information or her investment objectives and risk tolerance. In particular, LN did not have liquid assets of \$1,000,000 (her only liquid assets being the HSI accounts) and she had instructed the Respondent to lower risk from medium-high in the cash account and to lower risk for her registered accounts as well. The NCAFs were filled in for her and LN only signed or initialed where requested to do so.

### **Excessive and Unsuitable Trading Activity**

18. In April 2017, CDN\$175,023.25 in cash was transferred to LN’s RRSP account and securities valued at approximately US\$354,000 were transferred in-kind to LN’s new US\$ cash account.
  
19. Between April 2017 and February 2018, the turnover rate (i.e. – the cost of purchases divided by the average net equity) for the three accounts was as follows:



Account	Cost of purchases	Average net equity	Turnover rate	Turnover rate (annualized)	# of buys
US\$ Cash	\$3,303,032.72	\$359,932.05	9.18	10.01	53
US\$ RRSP	\$152,537.57	\$20,024.82	7.62	8.31	8
<b>TOTAL US\$ COMBINED</b>	\$3,455,570.29	\$379,956.86	9.09	9.92	61
CDN\$ RRSP	\$1,192,778.37	\$184,840.25	6.45	7.04	19

20. Between April 2017 and February 2018, the commission to equity ratio (i.e. – the commissions charged divided by the net equity of the account) for the three accounts was as follows:

Account	Total commissions charged	Average net equity	Commission to equity ratio	Annualized commission to equity ratio
US\$ Cash	\$47,842.36	\$359,932.05	13.3%	14.5%
US\$ RRSP	\$2,653.43	\$20,024.82	13.3%	14.5%
<b>TOTAL US\$ COMBINED</b>	\$50,495.78	\$379,956.86	13.3%	14.5%
CDN\$ RRSP	\$14,415.01	\$184,840.25	7.8%	8.5%

21. Between April 2017 and February 2018, the total cost to equity ratio (i.e. – the commissions plus fees charged divided by the net equity of the account) for the three accounts was as follows:

Account	Total fees charged	Total Costs (Commissions plus fees)	Average net equity	Cost to equity ratio	Annualized cost to equity ratio
US\$ Cash	\$103.46	\$47,945.82	\$359,932.05	13.3%	14.5%
US\$ RRSP	\$103.46	\$2,756.89	\$20,024.82	13.8%	15.0%
<b>TOTAL US\$ COMBINED</b>	\$206.92	\$50,702.70	\$379,956.86	13.3%	14.6%
CDN\$ RRSP	\$236.25	\$14,651.26	\$184,840.25	7.9%	8.6%

22. Between April 2017 and February 2018, the number of trades, profit / loss and rate of return for the three accounts were as follows:

Account	# of trades	Profit / Loss	Rate of return	Annualized Rate of return	Total costs (commissions plus fees) charged
US\$ Cash	103	\$22,046.91	-8.3%	-9.0%	\$47,945.82
US\$ RRSP	16	\$9,158.51	13.7%	14.9%	\$2,756.89
<b>TOTAL US\$ COMBINED</b>	119	\$31,205.42	-7.2%	-7.9%	\$50,702.70
CDN\$ RRSP	33	-\$4,560.93	-6.0%	-6.6%	\$14,651.26

23. During the period April 2017 to February 2018, the rate of return for the Dow Jones Industrial Average was 19.5%. The rate of return for the S&P/TSX was -0.9%.
24. The commissions and fees charged to the LN accounts were excessive and unsuitable. In particular,
- a. The commissions and fees earned on the combined accounts by the Respondent were almost 2.5 times greater than the profits earned by LN;
  - b. LN would have been charged significantly less in commission at an Order Execution Only firm based on 152 trades charged at \$9.95 per trade;
  - c. The Respondent could have recommended and selected a fee-based commission account structure. Had he done so, LN would have only paid \$10,254.53 in commissions, assuming a 2% fee structure.
25. In selecting a transaction-based commission structure, the Respondent preferred his own interests over those of his client and did not act in the best interests of LN, given the trading strategy he employed.

## **HSI Resolution and Internal Discipline**

26. HSI conducted an internal investigation and agreed to compensate LN for mismanagement of her account. The Respondent was internally disciplined, as set out in paragraph 10 above.

## **Failure to Cooperate**

27. By registered letters dated May 28 and July 16, 2018, Staff advised the Respondent of the opening of the investigation into his conduct. Both these letters were unclaimed and eventually returned to Staff.
28. On August 16, 2018, Staff delivered the opening letter regarding the investigation by email to the Respondent's HSI email address. The Respondent acknowledged receipt of this email.
29. Staff attempted on numerous occasions to arrange for an interview with the Respondent in order to complete its investigation. Telephone calls were placed to the Respondent's phone number on January 30, February 4, February 11 and May 7, 2020. Voice messages requesting a return call were left for the calls of January 30, February 4 and May 7. The Respondent has not returned any phone calls or communicated in any way.
30. On September 30, 2020, having had no response to its efforts to communicate with the Respondent, Staff prepared a letter compelling him to attend for an interview in order to answer questions regarding the investigation.
31. On October 5, 2020 Enforcement Staff received confirmation that Mr. Stock had been served personally at his residence with the letter compelling his attendance at the investigative interview scheduled for November 2, 2020.

32. The Respondent failed to attend at the interview and has not communicated with Staff in any way.

### **Conclusion**

33. The Respondent adopted a trading strategy in LN's accounts that generated high commissions for himself and in doing so, he failed to consider the best interests of his client and preferred his own interests.
34. The Respondent failed to attend a compelled investigation interview and, in doing so, failed to cooperate with Staff.

**DATED** at Toronto, Ontario this 1st day of March, 2021.