

**IN THE MATTER OF:**

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

**AND**

**LYLE LANGLOIS AND JAMES BROWN**

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION**

1. The Investment Industry Regulatory Organization of Canada (“IIROC”) will issue a Notice of Application to announce that it will hold a settlement hearing to consider whether, pursuant to section 8215 of the Consolidated Enforcement, Examination and Approval Rules of IIROC, a hearing panel (“Hearing Panel”) should accept the settlement agreement (“Settlement Agreement”) entered into between staff of IIROC (“Staff”) and the Respondents, Lyle Langlois (“Langlois”) and James Brown (“Brown”).

**PART II – JOINT SETTLEMENT RECOMMENDATION**

2. Staff and the Respondents jointly recommend that the Hearing Panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

**PART III – AGREED FACTS**

3. For the purposes of this Settlement Agreement, the Respondents agree with the facts as set out in Part III of this Settlement Agreement.

**Overview**

4. From 2014 to 2016, the Respondents Lyle Langlois and James Brown operating as Langlois Brown Wealth Management (the “Respondents”), accepted monies directly from Vertex

One Asset Management Inc. (“Vertex”), a mutual fund dealer, totaling \$65,571.44, and not through the Respondents’ Dealer Member. These funds were combined with the Respondents’ funds (approximately \$70,000) and used to fund approximately \$135,000 in support of an amateur cycling team and several charitable and amateur golf tournaments sponsored by the Respondents and were not retained by the Respondents.

## **Background**

5. The Respondent Lyle Langlois (“Langlois”) has been employed in the securities industry since 1986.
6. Langlois is registered with IIROC as a registered representative with the Vancouver sub-branch of iA Private Wealth Inc. located at 109-1008 Beach Avenue, Vancouver, BC. and operating as Langlois Brown Wealth Management. Langlois was registered with Scotia Capital Inc. from November 2013 to August 2017 and with iA Private Wealth Inc. from August 2017 to the present.
7. The Respondent James Brown (“Brown”) has been employed in the securities industry since 1997.
8. Brown is registered with IIROC as a registered representative with the Vancouver sub-branch of iA Private Wealth Inc. located at 109-1008 Beach Avenue, Vancouver, BC. and operating as Langlois Brown Wealth Management. Brown was registered with Scotia Capital Inc. from November 2013 to August 2017 and with iA Private Wealth Inc. from August 2017 to the present.
9. Langlois Brown Wealth Management is operated as a joint enterprise by Langlois and Brown.
10. During the relevant period from 2014 to 2017, Vertex One Asset Management Inc. (“Vertex”) was registered with the B.C. Securities Commission as an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer with a head office located in Vancouver, B.C. It is also registered as such in most other provinces in Canada. As of July 2021, Vertex has applied to surrender its registrations with the B.C. Securities Commission.

## **The Respondent's Relationship with Vertex**

11. The Respondents' relationship with Vertex started in 2002 when the Respondents started offering Vertex's hedge fund to its clients. The fund was initially offered through the offering memorandum process.
12. Over time the Respondents developed a relationship with Vertex and its representatives, ND, JT, and MW. In or around 2014, the Respondents had approximately 10% of its total client assets invested in Vertex funds totaling approximately \$30 million.
13. The Vertex funds represented only a small portion of each clients' holdings. There are no issues regarding the suitability of the Vertex holdings in the Respondents' clients' accounts.
14. In 2014, ND, JT, and MW, representatives of Vertex, including its compliance officer, approached the Respondents and indicated that they could provide various forms of marketing support that fell outside the traditional regulatory framework. The Respondents accepted the offer of marketing support (i.e. the payments towards the sponsorship of the amateur cycling team and charitable and amateur golf tournaments) and between January 2014 and June 2016 the Respondents received \$65,571.44 from Vertex. These funds were added to the Respondents' funds (approximate \$70,000) for a total sponsorship of approximately \$135,000 in support of an amateur cycling team and several charitable and amateur golf tournaments sponsored by the Respondents, and were not retained by the Respondents.
15. In June 2016, Vertex's compliance officer advised the Respondents that the marketing support would no longer be available and the marketing support from Vertex ceased after the June 2016 payment.

## **The Payments from Vertex**

16. The chart below shows the dates that the Respondents received amounts from Vertex and the specific amounts received.

Date	Amount Received from Vertex	Totals
January 15, 2014	\$10,000	
April 16, 2014	\$10,000	
August 15, 2014	\$10,000	
2014 Totals		\$30,000
February 5, 2015	\$7,142.86	
April 23, 2015	\$7,142.86	
August 28, 2015	\$7,142.86	
November 2, 2015	\$7,142.86	
2015 Totals		\$28,571.44
March 31, 2016	\$3,500	
June 30, 2016	\$3,500	
2016 Totals		\$7,000
2014-2016 Totals		\$65,571.44

17. The Respondents deposited the monies received from Vertex in Langlois Brown Wealth Management bank accounts and used the monies to pay for sponsorship of the Langlois Brown amateur cycling team and other fees and sponsorships related to several charitable and amateur golf tournaments.
18. The sum paid by the Respondents towards Langlois Brown Wealth Management's sponsorship of the amateur cycling team was greater than Vertex's contribution to the same.
19. The Respondents disclosed to their firm their sponsorship of the amateur cycling team but did not disclose the payments from Vertex or seek the approval of their firm for the receipt of the payments from Vertex, which was required by their firm's policies and procedures.
20. Staff acknowledge the presence of the following mitigating factors:

- a. All of the funds received from Vertex were paid toward sponsoring charitable golf tournaments and the amateur cycling team, and none of the funds were retained by the Respondents.
- b. Staff does not allege that the receipt of the payments from Vertex had any impact on the recommendations made to clients with respect to their investments in Vertex.
- c. Staff accepts that the Respondents did not set out to intentionally breach Dealer Member Rule 18.15 by accepting the marketing support from Vertex;
- d. No attempt was made by the Respondents to conceal from Staff or their Dealer Member the fact that they had received the payments from Vertex in this way.

#### **PART IV – CONTRAVENTIONS**

21. Between 2014 and 2016, The Respondents Lyle Langlois and James Brown registered representatives at Scotia Capital operating as Langlois Brown Wealth Management accepted money payments from a Mutual Fund Dealer, contrary to Dealer Member Rule 18.15.

#### **PART V – TERMS OF SETTLEMENT**

22. The Respondent agrees to the following sanctions and costs:
- a. Fine of \$10,000 for each Respondent;
  - b. Disgorgement of \$65,571.44; and
  - c. Costs of \$5,000 for both Respondents.

## **PART VI – STAFF COMMITTEMENT**

23. If the Hearing Panel accepts this Settlement Agreement, Staff will not initiate any further action against the Respondents in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.
24. If the Hearing Panel accepts this Settlement Agreement and the Respondents fail to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Rule 8200 against the Respondents. These proceedings may be based on, but are not limited to, the facts set out Part III of this Settlement Agreement.

## **PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT**

25. This Settlement Agreement is conditional on acceptance by the Hearing Panel.
26. This Settlement Agreement shall be presented to a Hearing Panel at a settlement hearing in accordance with the procedures described in Sections 8215 and 8428, in addition to any other procedures that may be agreed upon between the parties.
27. Staff and the Respondents agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondents do not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the Hearing Panel.
28. If the Hearing Panel accepts the Settlement Agreement, the Respondents agree to waive all rights under the IIROC Rules and any applicable legislation to any further hearing, appeal and review.
29. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondents may enter into another settlement agreement or Staff may proceed to a disciplinary hearing based on the same or related allegations.
30. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.

31. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and IIROC will post a full of copy of this Settlement Agreement on the IIROC website. IIROC will also publish a summary of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement.
32. If this Settlement Agreement is accepted, the Respondents agree that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.
33. The Settlement Agreement is effective and binding upon the Respondents and Staff as of the date of its acceptance by the Hearing Panel.

## PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

34. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

35. A fax or electronic copy of any signature will be treated as an original signature.

**DATED** this 2<sup>nd</sup> day of March, 2022.

“Witness”  
Witness

“Lyle Langlois”  
Lyle Langlois  
(Respondent)

“Witness”  
Witness

“James Brown”  
James Brown  
(Respondent)

“Witness”  
Witness

“Stacy Robertson”  
Stacy Robertson  
Enforcement Counsel on behalf of  
Enforcement Staff of IIROC

The Settlement Agreement is hereby accepted this 25<sup>th</sup> day of April, 2022 by the following Hearing Panel:

Per: “Joseph Bernardo”  
Panel Chair

Per: “Barbara Fraser”  
Panel Member

Per: “William Wright”  
Panel Member