

**IN THE MATTER OF:**

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

**AND**

**CATHERINE ELIZABETH GREEN**

**NOTICE OF HEARING**

An initial appearance (“Initial Appearance”) will be held before a hearing panel (the “Hearing Panel”) of the Investment Industry Regulatory Organization of Canada (“IIROC”) pursuant to sections 8203 and 8205 of IIROC Rule 8200. The purpose of the Initial Appearance is to schedule a hearing (the “Hearing”).

The Initial Appearance will be held on:            January 11, 2023 at 2:00 p.m. (MT)

The Initial Appearance will be held:            Via Videoconference

The Respondent, Catherine Elizabeth Green, must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated November 25, 2022 (“Statement of Allegations”) in accordance with section 8415 of IIROC Rule 8400 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 subsection 8415(1), the Initial Appearance may be immediately converted to a Hearing.

If the Respondent files a Response in accordance with subsection 8415(1), the Initial Appearance will be immediately followed by an initial prehearing conference.

The purpose of the Hearing will be to determine whether the Respondent has committed the contraventions that are alleged by Enforcement Staff. The alleged contraventions are contained in the Statement of Allegations.

The Initial Appearance, the Hearing and all related proceedings will be subject to the *Rules of Practice and Procedure* as set out in IIROC Rule 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 subsection 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.

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 25<sup>th</sup> day of November, 2022.

**“National Hearing Officer”**  
NATIONAL HEARING OFFICER  
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**

**CATHERINE ELIZABETH GREEN**

**STATEMENT OF ALLEGATIONS**

Further to a Notice of Hearing dated November 25, 2022, Enforcement Staff make the following allegations:

**PART I – REQUIREMENTS CONTRAVENED**

**Contravention 1**

Between August 2017 and September 2019, the Respondent, Catherine Elizabeth Green (“Green”) failed to use due diligence to learn and remain informed of the essential facts relative to her client RC, contrary to Dealer Member Rule 1300.1(a).

**Contravention 2**

Between August 2017 and September 2019, Green failed to use due diligence to ensure that investment recommendations were suitable for her client RC, contrary to Dealer Member Rule 1300.1(q).

## **PART II – RELEVANT FACTS AND CONCLUSIONS**

### **Overview**

1. Green was the Registered Representative who was responsible for the accounts of RC.
2. Green failed to learn the essential facts about RC and she failed to ensure that the securities she recommended were suitable for him.

### **Green's Registration History**

3. Green has worked in the securities industry since 1999.
4. The conduct that is outlined in this Statement of Allegations occurred when Green worked as a Registered Representative (Securities, Retail) at the Calgary head office of Leede Jones Gable Inc. ("Leede") from July 2004 to November 2019.
5. Since December 2019, Green has worked as a Registered Representative (Securities, Retail) at the Calgary business location of PI Financial Corp.

### **Client RC**

6. At all material times, RC worked as a hair stylist. He was single and had no dependents.
7. In or around September 2011, RC opened a Canadian Dollar ("CAD") Registered Retirement Savings Plan Account (the "CAD RRSP Account") and a CAD Cash Account (the "CAD Cash Account") at Leede.
8. The New Client Account Application Form (the "NCAF") that RC completed in September 2011 to open the CAD RRSP Account and the CAD Cash Account included the following information:

Age When NCAF Signed	45
Estimated Net Liquid Assets	\$45,000
Estimated Net Fixed Assets	\$145,000
Annual Income	\$46,000
Investment Knowledge	Fair
Investment Objectives	25% Income 75% Long Term Growth
Risk Tolerance	100% Medium

9. In or around November 2012, RC opened a CAD Tax-Free Savings Account (the “CAD TFSA”) at Leede.
10. The NCAF that RC completed in November 2012 to open the CAD TFSA included the following information:

Age When NCAF Signed	46
Estimated Net Liquid Assets	\$45,000
Estimated Net Fixed Assets	\$145,000
Annual Income	\$46,000
Investment Knowledge	Fair
Investment Objectives	20% Income 80% Long Term Growth
Risk Tolerance	100% Medium

**Green Becomes the Registered Representative Responsible for RC’s Accounts**

11. Initially, another Registered Representative at Leede was responsible for the CAD RRSP Account, the CAD Cash Account, and the CAD TFSA.
12. In 2016 that Registered Representative retired.
13. Ultimately, in August 2017 Green became the Registered Representative who was responsible for RC’s accounts.

### Failure to Know Client RC

14. In August 2017, after Green became responsible for RC's accounts, RC completed a NCAF Update which included the following information:

Age When NCAF Update Signed	51 Years Old
Estimated Net Liquid Assets	\$62,000
Estimated Net Fixed Assets	\$145,000
Annual Income	\$46,000
Investment Knowledge	Fair/Limited
Investment Objectives	100% Aggressive Growth
Risk Tolerance	100% High

15. In April 2018, RC completed another NCAF Update to, among other things, open a United States Dollar (USD) Registered Retirement Savings Plan (the "USD RRSP Account"), a USD Cash Account (the "USD Cash Account"), and a USD Tax-Free Savings Account (the "USD TFSA"). The NCAF Update included the following information:

Age When NCAF Update Signed	52 Years Old
Estimated Net Liquid Assets	\$62,000
Estimated Net Fixed Assets	\$145,000
Annual Income	\$46,000
Investment Knowledge	Fair/Limited
Investment Objectives	100% Aggressive Growth
Risk Tolerance	100% High

16. The CAD RRSP Account, the USD RRSP Account, the CAD Cash Account, the USD Cash Account, the CAD TFSA, and the USD TFSA are collectively referred to below as the "RC Accounts".

17. Investment objectives of 100% aggressive growth and a risk tolerance level of 100% high, were not suitable for RC because, among other things, the RC Accounts comprised almost the entirety of RC's investable assets and he was saving for his retirement.



18. Further, those investment objectives and risk tolerance level did not accurately reflect RC's actual wishes. Prior to completing the NCAF Update in August 2017, RC met with Green. During that meeting, RC informed Green that he wanted 70% of his portfolio invested in safe investments and the remaining 30% could be used to generate gains in the portfolio. However, Green advised RC that all investments are high risk. Therefore, RC's investment objectives and risk tolerance level needed to be high.
19. Accordingly, Green failed to learn and remain informed of the essential facts relative to her client RC.

#### **Trading in the RC Accounts**

20. As of July 31, 2017, the value of the assets in the RC Accounts was approximately \$62,297 and they primarily held cash, exchange traded funds, and mutual funds.
21. Between August 2017 and September 2019, RC deposited approximately \$9,100 into the RC Accounts and he did not withdraw any funds.
22. After Green became the Registered Representative responsible for the RC Accounts, the trading in the RC Accounts was frequent and it primarily consisted of the buying and selling of equities.
23. In particular, between August 2017 and September 2019:
  - there were 77 buy orders in the RC Accounts;
  - the total value of the buy orders for the RC Accounts was approximately \$436,465; and
  - the RC Accounts had an annualized turnover ratio (i.e., the number of times the equity in the accounts was liquidated and reinvested) of between 3.19 and 3.66.
24. Further details of the trading in the RC Accounts between August 2017 and

September 2019 are set out in the following table:

<b>Period</b>	<b>Average Portfolio Value (Net Equity)</b>	<b>Total Value of Purchases</b>	<b># of Purchases</b>	<b>Total Value of Sales</b>	<b>Annualized Turnover Ratio</b>
August 2017 to December 2017	\$68,786	\$91,448	22	\$67,928	3.19
January 2018 to December 2018	\$60,073	\$219,855	39	\$216,885	3.66
January 2019 to September 2019	\$50,261	\$125,162	16	\$122,837	3.32

**Assets in RC Accounts were Concentrated in the Information Technology Sector**

25. As set out in the following table, between January 2018 and September 2019, the assets in the RC Accounts were often concentrated in the information technology sector:

<b>Period</b>	<b>% of Assets Invested in Information Technology</b>
January 2018	29.20%
February 2018	25.20%
March 2018	31.58%
April 2018	44.58%
May 2018	52.60%
June 2018	59.42%
July 2018	58.11%
August 2018	42.93%
September 2018	48.23%
October 2018	41.54%
November 2018	72.84%
December 2018	72.81%
January 2019	86.32%
February 2019	85.10%
March 2019	85.50%
April 2019	86.63%
May 2019	94.82%
June 2019	95.70%
July 2019	94.75%
August 2019	93.44%
September 2019	91.11%

### **Substantial Losses in RC Accounts**

26. The trading activity in the RC Accounts resulted in substantial losses for RC and generated significant commissions for Green.
27. In particular, between August 2017 and September 2019, the:
- value of the RC Accounts declined by approximately \$31,622 or 51% (including commissions), whereas the S&P/TSX Composite Index gained approximately 9.5% during that same period;
  - RC Accounts incurred approximately \$14,954 in commissions; and
  - annualized cost to equity ratio (i.e., the minimum annual rate of return on the account equity that would have to be earned to break even) was between 5.33 and 10.31 for the RC Accounts.

28. Further details of the activity in the RC Accounts between August 2017 and September 2019 are set out in the following table:

<b>Period</b>	<b>Average Portfolio Value (Net Equity)</b>	<b>Transactional Commissions Paid</b>	<b>Annualized Cost/Equity Ratio</b>	<b>Portfolio Profit/Loss (including commissions)</b>	<b>S&amp;P/TSX Composite Return</b>
August 2017 to December 2017	\$68,786	\$3,710	5.33	+\$12,881 (+21%)	6.6%
January 2018 to December 2018	\$60,073	\$7,356	10.16	-\$36,809 (-48%)	-11.6%
January 2019 to September 2019	\$50,261	\$3,888	10.31	-\$7,693 (-17%)	16.3%

**Failure to Ensure Recommendations Were Suitable for Client RC**

29. The investments that Green recommended for the RC Accounts were not suitable for RC due to his, among other things, financial situation, actual investment objectives, time horizon, and actual risk tolerance level.
30. Further, the investments that Green recommended for the RC Accounts were not suitable for RC because they resulted in excessive trading and concentration in the information technology sector.

**RC Complaint to Leede**

31. In November 2019, RC submitted a complaint to Leede regarding the manner in which Green had dealt with the RC Accounts.

**DATED** at Calgary, Alberta this 25th day of November, 2022.