

**IN THE MATTER OF:**

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

**AND**

**GREGORY PAUL BEALER**

**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 IIROC Rules, a hearing panel (“Hearing Panel”) should accept the settlement agreement (“Settlement Agreement”) entered into between the staff of IIROC (“Staff”) and Gregory Paul Bealer (“Respondent”).

**PART II – JOINT SETTLEMENT RECOMMENDATION**

2. Staff and the Respondent 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 Respondent agrees with the facts as set out in Part III of this Settlement Agreement

## **Overview**

### **4. The Respondent:**

- a) Failed in his gatekeeper obligations. He failed to inquire into suspicious circumstances, and facilitated questionable transactions in a client account, that raised potential manipulative trading issues;
- b) Made several personal off-book transaction ; and
- c) Failed to designate accounts over which he had trading authority, as pro-accounts. He then invested these accounts in new issuer private placements investments. The Respondent did so without receiving appropriate approvals from his firm.

## **Registration History**

- 5. The Respondent is not currently working in an IIROC registered capacity. The conduct in question took place while he was a registrant with CIBC World Markets Inc. (“CIBC”), where he was a Registered Representative and Portfolio Manager from January 2014 to April 2019. Before that, he had worked at TD Waterhouse Canada, since 2008.

## **Failed Gatekeeper Obligations**

- 6. The Respondent facilitated suspicious trading activities pertaining to a cannabis sector company (the “Company”). He failed to make appropriate inquiries into the numerous red flags presented by these activities. The Respondent also failed to report these activities to his firm.

7. The suspicious trading involved third parties depositing share certificates of the Company into the account of the Respondent's client. Shortly thereafter, the securities were liquidated, and the proceeds were distributed out of the account to third parties. The client in question was referred to the Respondent by the Company's CEO, and the Respondent was taking instructions from the CEO's assistant. CIBC's management did not raise any concerns with the Respondent about these transactions.

***Respondent's Relationship to the Company***

8. CIBC had an Anti-Money Laundering and Anti-Terrorist Financing policy which restricted employees from entering client relationships with persons or entities in the cannabis sector without first receiving approval from the firm. Despite this, the Respondent had several unapproved interactions with principals of the Company. This includes:
  - a) Attending a cannabis conference in Vancouver in January 2018;
  - b) Attending the TSX listing ceremony for the Company in May 2018.

***Suspicious Circumstances and Trading Activity***

9. In February 2018, the Respondent opened accounts for a 68-year-old client from Quebec (the "Client"). The Client, who is now deceased, was the CEO's stepfather, and was referred to the Respondent by the CEO.
10. According to the Client's account documents, at the relevant time he:
  - a) was 68 years old, retired, and had three dependents;
  - b) had a net worth of \$300,000;
  - c) had a yearly income of \$35,000;
  - d) had investment objectives of 50% medium-term, and 50% long-term growth; and

- e) had a Risk tolerance of 100% high risk.
11. Once the account was opened, the transactions almost exclusively involved the Company's securities. Share certificates were deposited into the account, they were liquidated, and the proceeds transferred back out to third parties, by way of wire transfer.
  12. These activities were conducted on an unsolicited basis, with the Respondent receiving wire transfer instructions from someone he knew to be the CEO's assistant. There were no power of attorney forms on file with CIBC giving the assistant authority over the account.
  13. During the relevant period there were 22 transfers of the Company's securities, totaling 1,331,667 shares. During this same period, there were 25 wire transfers of proceeds from the securities liquidation, totaling approximately \$1,650,000.
  14. On at least two occasions, proceeds from these liquidations were transferred to accounts belonging to the CEO, totaling \$151,000.

***Red Flags***

15. The above circumstances presented several red flags that the Respondent failed to act on, including:
  - a) The CEO's relationship with the Client;
  - b) The unusual nature of the trading going through the Clients account, particularly, considering the client's profile, and his relationship to the CEO. This includes the type and volume of transactions, and that they primarily involved only the Company's securities; and

- c) The CEO's assistant was providing instructions on the Client's account, despite no documented authority to do so filed with the firm.

### **Off-Book Transactions**

16. Between April and September 2018, the Respondent made eight off-book investments in private placements, outside CIBC, without receiving the appropriate approvals. The investments were all made via transfers from the Respondent's CIBC trading account. Many of the investments were in cannabis related companies. The investments totaled approximately \$1,442,660.
17. While the Respondent failed to receive the appropriate approvals for the investments, the wire transfers to pay for the investments were approved by his employer.
18. On at least five occasions the Respondent facilitated clients investing in the same off-book private placements. The Respondent would make clients aware he was personally investing in the companies, and they would also invest.

### **Failure to Designate Pro-Accounts and Ineligible Investments**

19. The Respondent failed to designate 18 different accounts over which he had power of attorney as pro-accounts, as required by his firm's policy and procedures. The accounts in question belonged to four people closely connected to the Respondent, or numbered companies controlled by them. By doing so, the Respondent undermined his firm's supervisory structure as it pertained to accounts over which the Respondent had control or authority.
20. Between April 2016 and October 2018 these accounts participated in 32 new issue purchases, worth approximately \$1,966,575. By October 2017, \$1,247,175 of the purchases

were sold, with an additional \$39,100 sold in December 2018. In total, the sales represented a realized gain of \$111,087 (8.6%). As of September 2020, the remaining \$668,500 of purchases was still held in the various accounts, before they were transferred away from CIBC.

21. Under CIBC's policies on new issues, these purchases were not eligible for pro-accounts, and were made without the Respondent obtaining the appropriate approvals from his firm. A stated intention of the policies is to ensure the fair treatment to CIBC's clients in the allocation of new issues. By not following CIBC's policies regarding pro-accounts and new issues, the Respondent could potentially have given these particular clients preferential treatment at the expense of other CIBC clients. With the exception of the 32 new issue purchases, there is no evidence the account holders profited directly as a result of the failure to have the accounts designated pro-accounts.

#### **Commissions Earned by the Respondent**

22. The Respondent personally received by way of commissions:
  - a) For transactions related to the Company: \$2,036; and
  - b) For ineligible Investments: \$15,233.

#### **PART IV – CONTRAVENTIONS**

23. By engaging in the conduct described above, the Respondent committed the following contraventions of IIROC's Rules:

##### **Contravention 1**

Between March 2018 and March 2019, the Respondent failed in his role as a gatekeeper by facilitating suspicious trading activity in a client account, contrary to IIROC Rule 1400;

### **Contravention 2**

Between January and December 2017, the Respondent personally made off-book investments, without the proper approval by his firm, contrary to IIROC Rule 1400; and

### **Contravention 3**

Between April 2016 and October 2018, the Respondent failed to designate several client accounts as pro-accounts. He then invested the client accounts in ineligible new issues, without receiving appropriate approvals from his firm, contrary to IIROC Dealer Member Rule 43.2(5) and IIROC Rule 1400.

## **PART V – TERMS OF SETTLEMENT**

24. The Respondent agrees to the following sanctions and costs:
- a) A fine in the amount of \$50,000 plus disgorgement in the amount of \$17,269;
  - b) Five-month prohibition of approval from IIROC registration;
  - c) Twelve-month period of close supervision; and
  - d) Costs in the amount of \$5,000.
25. If this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Staff and the Respondent.

## **PART VI – STAFF COMMITMENT**

26. If the Hearing Panel accepts this Settlement Agreement, Staff will not initiate any further action against the Respondent 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.

27. If the Hearing Panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under IIROC Rule 8200 against the Respondent. 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**

28. This Settlement Agreement is conditional on acceptance by the Hearing Panel.
29. 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.
30. Staff and the Respondent 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 Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the Hearing Panel.
31. If the Hearing Panel accepts the Settlement Agreement, the Respondent agrees to waive all rights under the IIROC Rules and any applicable legislation to any further hearing, appeal and review.
32. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement or Staff may proceed to a disciplinary hearing based on the same or related allegations.



33. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.
34. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and IROC will post a full of copy of this Settlement Agreement on the IROC website. IROC will also publish a summary of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement.
35. If this Settlement Agreement is accepted, the Respondent agrees that neither he nor anyone on his behalf, will make a public statement inconsistent with this Settlement Agreement.
36. The Settlement Agreement is effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.

**PART VIII – EXECUTION OF SETTLEMENT AGREEMENT**

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

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

**DATED** this 12 day of September, 2022.

“Witness” \_\_\_\_\_

**Witness**

“Gregory Paul Bealer” \_\_\_\_\_

**Gregory Paul Bealer**

**DATED** this 13 day of September, 2022.

“Witness” \_\_\_\_\_

**Witness**

“Tayen Godfrey” \_\_\_\_\_

**Tayen Godfrey**

Enforcement Counsel on behalf of  
Enforcement Staff of the Investment  
Industry Regulatory Organization of  
Canada

The Settlement Agreement is hereby accepted this 20<sup>th</sup> day of October, 2022 by the following Hearing Panel:

Per: "Omolara Oladipo"  
**Panel Chair**

Per: "Don Milligan"  
**Panel Member**

Per: "Kathleen Jost"  
**Panel Member**