CIRO · OCRI
Canadian Investment Regulatory Organization
Organisme canadien de réglementation des investissements

IN THE MATTER OF
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES

AND

ROBERT RUSSELL WEIR

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Canadian Investment Regulatory Organization ("CIRO")[1] will issue a Notice of Application to announce a settlement hearing pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the "Investment Dealer Rules") to consider whether a hearing panel should accept this Settlement Agreement between Enforcement Staff and Robert Russell Weir (the "Respondent").

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Enforcement 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. In April and May 2020, Robert Russell Weir ("Weir"), a registered representative of Stifel Nicolaus Canada Inc. ("Stifel") disclosed potentially confidential information to a hedge fund client regarding proposed transactions for two publicly listed

issuers. Following the communications of the information at issue, the hedge fund client entered short sell transactions at other Dealer Members which may have allowed it to profit on the information communicated to it. These short sale transactions were undertaken without the Respondent's knowledge.

5. The integrity of the capital markets requires Regulated Persons to adhere to the highest standards when dealing with potentially confidential information.

Background

6. The Respondent was a registered representative and Head of Sales and Trading with Stifel from December 2019 until December 2021. He was registered with other Dealer Members, including GMP Capital, since 2000. He has not been registered since December 2021.

Issuer 1 Block Trade

7. In May 2020, a shareholder ("Shareholder 1") of Issuer 1 entered into an agreement with Stifel and another Dealer Member to divest a portion of its holdings in Issuer 1 by way of a bought deal block trade (the "Issuer 1 Block Trade").

The Respondent's Communications Regarding the Issuer 1 Block Trade

8. At 12:00 p.m. on May 6, 2020, the Respondent attended an internal meeting with Stifel's investment banking team at which a potential Issuer 1 Block Trade was discussed. At that stage, there was no mandate from Shareholder 1 and there had been no meaningful discussions between Shareholder 1 and Stifel.

9. At 12:23 p.m., following the internal meeting, the Respondent contacted XX, a portfolio manager at Hedge Fund 1 asking, "Call me when free".

10. At 12:35 p.m., XX called the Respondent and they had a conversation lasting approximately 3 minutes.

11. Approximately 20 minutes after their conversation, XX entered short sale orders at two different Dealer Members totaling 200,000 shares of Issuer 1, of which 162,700 was filled at an average price of $6.687. The Respondent had no knowledge that these short sale orders had been entered.

12. Subsequent communications between the Respondent and XX indicate that they further discussed the broader market support in the potential Issuer 1 Block Trade and Hedge Fund 1's specific interest in participating for 1 million shares or units.

13. At 9:00 a.m. on May 7, 2020, Stifel had an internal Liability Committee call seeking approval to propose terms to Shareholder 1. The Respondent was a member of the Liability Committee and confirmed his approval. Shortly thereafter, Stifel presented a bought deal engagement letter to Shareholder 1.

14. Between 9:30 a.m. and 12:20 p.m. on May 7, the Respondent and XX exchanged numerous Bloomberg messages relating to a potential Issuer 1 Block Trade. In these messages, XX said "lets get the ball rolling" and "we trying?" to which the Respondent responded "Yep." "Big time." The Respondent later advised "Fish on the line", "Not on the boat" and "next call at 130 pm".

15. At 2:25 p.m. on May 7, 2020, Stifel was advised that Shareholder 1 would be proceeding with the Issue 1 Block Trade and that Stifel would co-lead the offering.

16. At 2:55 p.m., the Respondent received an email sent to the Stifel Liability Committee advising of the terms and timing of the Issuer 1 Block Trade.

17. At 2:57 p.m., the Respondent messaged XX "Tonight". At 3:01 p.m., XX entered a short sale order at a different Dealer Member for 100,000 shares of Issuer 1, which was fully filled at an average price of $6.99. The Respondent had no knowledge that this short sale order was entered.

18. On May 7, 2020, at 4:31 p.m., Shareholder 1 announced an offering of 20,000,000 units at a price of $6.35. Each unit consisted of one Issuer 1 share and one half of

a private placement common share purchase warrant. This offering was subsequently upsized to 23,900,000 units.

19. In total, following communications with the Respondent, XX placed short sales of 262,700 shares of Issuer 1 on May 6 and 7 at an average price of approximately $6.80. These orders were entered within minutes of conversations between the Respondent and XX, at other Dealer Members. Based on the offering price of $6.35 per unit, these short sales resulted in a potential profit to the Hedge Fund of approximately $118,945.

Issuer 2 Block Trade

20. In April 2020, Shareholder 2 entered into an agreement with Stifel and another Dealer Member to divest a portion of its holdings in Issuer 2 by way of a bought deal block trade (the "Issuer 2 Block Trade").

21. On April 8, 2020, Stifel initiated discussions with Shareholder 2 about a potential block trade deal of its shares in Issuer 2.

The Respondent's Communications Regarding the Issuer 2 Block Trade

22. On April 9, 2020, the Respondent contacted two clients about a potential Issuer 2 Block Trade. At 11:20 a.m., the Respondent messaged representatives of Hedge Fund 1 advising that Stifel was "trying to place 12 mm shares [Issuer 2] from [Shareholder 2] at $9.50 to $10".

23. Less than 4 minutes later, Hedge Fund 1 entered a short sale order at a different Dealer Member for 100,000 shares of Issuer 2, of which 91,000 was filled at an average price of $10.663. The Respondent had no knowledge that this short sale order was entered.

24. At 11:30 and 11:38 a.m., the Respondent advised other Stifel employees that Hedge Fund 1 indicated that it would take 1 million shares of the Issuer 2 Block Trade.

25. At 11:43 a.m. and 12:34 p.m., Hedge Fund 1 entered short sale orders at two different Dealer Members totaling 200,000 shares of Issuer 2, of which 175,751 was filled at an average price of $10.682. The Respondent had no knowledge that these short sale orders were entered.

26. Between 1:33 and 1:58 p.m., the Respondent and XX exchanged numerous Bloomberg messages relating to the Issuer 2 Block Trade.

27. At 2:27 p.m. the Respondent suggested to another colleague at Stifel that "[Issuer 2] could be 19mm shares at $10" and that "Hedge Fund 1 there for 1 mm shares+".

28. At 3:20 p.m., Issuer 2 was added to Stifel's "Watch List".

29. At 3:36 p.m., the Respondent messaged XX advising "Looks like 7.5 mm units at $10. 9 month ½ warrant at $13.50... they would do up to 12 mm units".

30. At 3:43 p.m., Hedge Fund 1 entered a short sale order at a different Dealer Member for 100,000 shares of Issuer 2, which was fully filled at an average price of $10.789. The Respondent had no knowledge that this short sale order was entered.

31. At 4:00 p.m., Stifel's Liability Committee had a call to approve the block trade of 7.5 million units of Issuer 2. Shortly thereafter, Stifel and Shareholder 2 agreed to proceed with selling units at a price of $10.00, with the engagement letter to be settled concurrently.

32. At 8:03 p.m., Stifel's Liability Committee had a call to approve an upsize of the Issuer 2 Block Trade to 12 million units. The Respondent was a member of the Liability Committee and confirmed his approval.

33. On April 10, 2020 (Good Friday), the engagement letter between Shareholder 2, Stifel and the other Dealer Member was fully executed.

34. On Monday, April 13, 2020, at 7:00 a.m., Shareholder 2 issued a press release announcing the sale of 12 million units, consisting of one Issuer 2 share and ½ warrant at a price of $10.00.

35. Hedge Fund 1 entered an expression of interest for 1.4 million units and received a full allocation.

36. In total, following communications with the Respondent, Hedge Fund 1 placed short sales of 366,751 shares of Issuer 2 on April 9 at an average price of approximately $10.71, at other Dealer Members. Based on the offering price of $10.00 per unit, these short sales resulted in a potential profit to the Hedge Fund of approximately $258,561.

Additional Factors

37. The Respondent has not previously been the subject of IIROC or CIRO disciplinary proceedings.

PART IV – CONTRAVENTIONS

38. By engaging in the conduct described above, the Respondent committed the following contraventions of CIRO requirements:

    (i) In April and May 2020, the Respondent disclosed potentially confidential information to a hedge fund client contrary to contrary to Investment Dealer Rule 1400.

PART V – TERMS OF SETTLEMENT

39. The Respondent agrees to the following sanctions and costs:

    (i) Fine in the amount of $75,000;

    (ii) A prohibition on approval in any capacity for a period of six (6) months;

    (iii) A requirement to complete the Conduct and Practices Handbook Course (or equivalent) prior to approval; and

(iv) Costs in the amount of $5,000;

40. 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 Enforcement Staff and the Respondent.

PART VI – STAFF COMMITMENT

41. If the hearing panel accepts this Settlement Agreement, Enforcement 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.

42. If the hearing panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

43. This Settlement Agreement is conditional on acceptance by the hearing panel.

44. This Settlement Agreement shall be presented to a hearing panel at a settlement hearing in accordance with sections 8215 and 8428 of the Investment Dealer Rules, in addition to any other procedures that may be agreed upon between the parties.

45. Enforcement Staff and the Respondent agree that this Settlement Agreement will form all 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.

46. If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules of CIRO and any applicable legislation to any further hearing, appeal and review.

47. If the hearing panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.

48. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.

49. This Settlement Agreement will become available to the public upon its acceptance by the hearing panel and CIRO will post a copy of this Settlement Agreement on the CIRO website. CIRO will publish a notice and news release of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement and the hearing panel's written reasons for its decision to accept this Settlement Agreement.

50. If this Settlement Agreement is accepted, the Respondent agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.

51. This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the hearing panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

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

53. An electronic copy of any signature will be treated as an original signature.

DATED this "30th" day of "September", 2024.

"Nathan Thomas"
Witness

"Robert Russell Weir"
Robert Russell Weir

"Rob DelFrate"
Rob DelFrate
Enforcement Counsel on behalf of
Enforcement Staff of the
Canadian Investment Regulatory
Organization

The Settlement Agreement is hereby accepted this "7" day of "November", 2024 by the following Hearing panel:

Per: "Barry Bresner"
Chair

Per: "Emily Jelich"
Industry Member

Per: "Richard Austin"
Industry Member

[1] The Canadian Investment Regulatory Organization ("CIRO") has adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the "Interim Rules"). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and the rules and certain by-laws and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the rules and by-laws and policies of the MFDA that were in force immediately prior to amalgamation have been incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules.
Section 1105 (Transitional provision) of the Investment Dealer and Partially Consolidated Rules sets out CIRO's continuing jurisdiction, including that CIRO shall continue the regulation of any person subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada that was formerly conducted by the Investment Industry Regulatory Organization of Canada.