

Re Hall

IN THE MATTER OF:

The Investment Dealer and Partially Consolidated Rules

and

William Robert Hall

2025 CIRO 20

Canadian Investment Regulatory Organization
Hearing Panel (Alberta District)

Heard: April 2-4, 2025 in Calgary, Alberta

Decision: April 4, 2025

Reasons for Decision: April 21, 2025

Hearing Panel:

Eric Spink, Chair, David Johnson and James Ross

Appearances:

Marie Abraham, Senior Enforcement Counsel

William Robert Hall, Respondent (present)

REASONS FOR DECISION

1. INTRODUCTION

[1] This was a hearing on the merits in which the primary issue was credibility. After hearing the evidence and submissions, on April 4, 2025, the Hearing Panel dismissed the allegations against William Robert Hall (the **Respondent**) with brief oral reasons, to be followed by these written reasons.

2. THE ALLEGATIONS

[2] The allegations were that, between April 2019 and October 2019, the Respondent failed to use due diligence to learn and remain informed of the essential facts relative to two clients, contrary to Dealer Member Rule 1300.1(a), and the Respondent failed to ensure that recommendations made for two clients were suitable, contrary to Dealer Member Rule 1300.1(q).

3. FACTS

[3] In April 2019, the Respondent was an investment advisor registered with Canaccord Genuity Corporation (**Canaccord**), specializing in high-risk private placements. One of the Respondent's existing clients, SC, introduced the Respondent to a married couple, JH and MH (collectively **the Hs**). SC was a personal friend of JH.

[4] The Respondent opened registered accounts for the Hs. The New Client Account Forms (**NCAFs**) indicated that each of the Hs had \$1.1 million in net liquid assets and a net worth of \$1.95 million, and that their investment objectives were 100% "Speculative/High Risk".

[5] Approximately \$400,000 in cash and securities were transferred into the new accounts from registered accounts held by the Hs at another firm. Most of the transferred securities were liquidated immediately, and the Hs subscribed for a private placement in "Purchased Subscription Receipts" issued by SI (a cannabis

company), investing roughly 85% of the value of their accounts in SI.

[6] The market value of the Hs' investment in SI rose over 6% in May 2019, then plummeted. By the end of August 2019, the value of their investment was down roughly 50%, and on October 31, 2019, it was down roughly 66%.

[7] On September 30, 2019, Canaccord terminated the Respondent's employment for failing to complete a compulsory examination, and another registrant took over the Hs' accounts. Those accounts remained open and the Hs' holdings in SI were liquidated late in 2021, crystallizing a loss of roughly 93% of their original investment.

[8] In January 2022, JH sent a letter to Canaccord (**Complaint**) seeking compensation for the Hs' losses. The Complaint included allegations that: the Respondent was not properly registered in April 2019; SC received compensation for bringing the accounts to Canaccord; SC had improper access to Canaccord's client information; and that the Respondent and SC both violated "Inside Trader Policy".

[9] CIRO Enforcement staff conducted a sworn interview of JH by videoconference in November 2022, and a sworn interview of the Respondent by videoconference in March 2023.

3. CONFLICTS IN THE EVIDENCE AND CREDIBILITY

[10] Credibility was the pivotal issue in this case because JH and the Respondent gave starkly different versions of events.

[11] In assessing credibility, the Hearing Panel applied the test described in *Faryna v Chorney*¹:

The credibility of interested witnesses, particularly in cases of conflict of evidence, cannot be gauged solely by the test of whether the personal demeanour of the particular witness carried conviction of truth. The test must reasonably subject his story to the examination of its consistency with the probabilities that surround the currently existing conditions. In short, the real test of a witness in such a case must be its harmony with the preponderance of the possibilities which a practical and informed person would readily recognize as reasonable in that place or in those conditions.

[12] After considering all the evidence, and for the reasons described below, the Hearing Panel found that wherever JH's version of events differed from the Respondent's version, the Hearing Panel accepted the Respondent's version and rejected JH's version.

[13] JH's version of events is reflected in the Statement of Allegations. In summary, JH claimed that:

- the Hs told the Respondent they did not want high-risk investments;
- the Hs did not know SI was a high-risk investment;
- the Respondent misstated their assets and risk tolerances on their New Client Account Forms (**NCAFs**);
- the Hs did not understand any of the risk-acknowledgement documents they signed and initialled because the Respondent did not explain those risks to them; and
- JH knew "nothing about investment..." and looked only at the bottom line of his investment statements ("I didn't go where it was invested. I didn't see each investment if went up, if it went down. I just did not follow it...").

[14] JH's version of events was entered in evidence through his Complaint and the transcript of his sworn interview in November 2022. The Hearing Panel was advised that, at some point after this hearing was scheduled, JH became unwilling to testify. JH did not testify at the hearing, so his evidence was not tested by cross-examination, which was a significant factor in the Hearing Panel's assessment of credibility and rejection of JH's evidence.

[15] The Respondent's version of events was entered in evidence through the transcript of his sworn interview in March 2023, and through his oral testimony and cross-examination at the hearing. Although cross-

¹ [1952] 2 DLR 354 (BCCA) at 357

examination revealed some minor inconsistencies and errors, it did not shake the Respondent's evidence on the most salient facts.

[16] In summary, the Respondent's evidence was that:

- JH approached the Respondent with an intention to invest in SI ("gung-ho on SI") after having learned about SI from SC;
- SC was a respected and experienced investor in private placements, who was also very interested in SI;
- JH insisted upon taking a concentrated position in SI even though the Respondent explained the risks associated with that investment;
- JH and MH provided the information about their assets and investment objectives shown in their NCAFs, which qualified them as accredited investors;
- the Respondent explained the risks to the Hs, both generally and in the process of completing the NCAFs, the special risk-acknowledgement letter addressed to Canaccord's compliance department, the subscription agreements and the Risk Acknowledgement Certificate (Form 45-106F9); and
- overall, the Hs presented themselves to the Respondent as accredited investors who understood and accepted the risks of their investment in SI.

[17] The Hearing Panel considered the Respondent's demeanour as a witness and found him credible. The Hearing Panel also found that the Respondent's evidence was in harmony and consistent with the evidence as a whole, as described in more detail below.

[18] The evidence showed that JH had previously invested in a high-risk cannabis stock. In his November 2022 interview, JH said he invested \$30,000 shortly after the federal election on October 19, 2015 and "made a couple of hundred thousand dollars on that stock". An account statement from the Hs' previous investment firm showed that, in February 2019, JH still owned 200 shares of Canopy Growth Corp., which he acquired at a cost of \$2.40 per share and which then had a market value of \$62.38 per share – a 2500% return on the original investment. The Hearing Panel found it logical, and probable, that JH would be interested in another cannabis stock that might provide similarly spectacular concerns.

[19] The evidence showed that JH had previously made other significant investment decisions involving risky investments, including a private-placement investment made outside his registered accounts, prior to meeting the Respondent.

[20] The evidence showed that JH was aware of SI before meeting with the Respondent. In March 2019, SC forwarded to JH an email SC received from the Respondent regarding SI, which included an information deck provided by SI and the following statements by the Respondent: "Keep this one very confidential at this point. This is big. Will be able business." JH suggested that email showed that the Respondent and SC were trading on "inside trader information", which is inaccurate, but the Hearing Panel found it significant that JH apparently believed that SC and the Respondent had some kind of special information about SI because that is consistent with JH's strong desire to invest in SI.

[21] The Hearing Panel found it logical, and probable, that JH's interest in SI was mainly based on SC's interest in SI, because SC was an experienced and respected investor in private placements, and JH's personal friend.

[22] The evidence showed that SC had previously referred clients to the Respondent that the Respondent had to turn away because they were not accredited investors. It is therefore logical, and probable, that JH would have learned from SC, before meeting the Respondent, that the Hs needed to be accredited investors to invest in SI. The evidence did not clearly show whether the financial information the Hs gave the Respondent was true, but the Hearing Panel accepted the Respondent's evidence that the Hs plausibly represented themselves as accredited investors.

[23] The Hearing Panel also found it significant that neither JH's Complaint to Canaccord, nor JH's communications with the Respondent in October 2019, made any mention of the Hs being misled or not understanding the risks associated with their investment in SI. Logic and reason dictate that, if those claims

were legitimate, they would have been raised at the first opportunity. The fact that they were not, combined with the fact that JH's Complaint made several serious allegations (unrelated to risk) that were all unfounded, supported the Hearing Panel's conclusion on credibility.

4. FINDINGS AND CONCLUSION

[24] The Hearing Panel found that the alleged contraventions against the Respondent were not sustained.

[25] The Hearing Panel found that the Respondent did use due diligence to learn and remain informed of the essential facts relating to the Hs and, to the extent the Respondent was not informed, it was because the Hs misrepresented those facts to the Respondent.

[26] The Hearing Panel found that the Respondent did not fail to ensure that his recommendations were suitable to those clients, because we found that SI would have been suitable if the information the Hs provided to the Respondent was true.

[27] The Hearing Panel therefore dismissed the allegations against the Respondent.

Dated at Calgary, Alberta this 21st day of April 2025.

"Eric Spink"

Eric Spink, Chair

"David Johnson"

David Johnson

"James Ross"

James Ross

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