

Re Griffioen

IN THE MATTER OF:

The Mutual Fund Dealer Rules¹

and

Henry Griffioen

2025 CIRO 19

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: March 17, 2025, in Toronto, Ontario (via videoconference)

Decision: March 17, 2025

Reasons for Decision: April 15, 2025

Hearing Panel:

Joan Smart, Chair

Linda Anderson, Industry Representative

Vas Pachapurkar, Industry Representative

Appearances:

Maria Di Clemente, Enforcement Counsel

Alan Melamud, Senior Enforcement Counsel

Barry Papazian, Counsel for Henry Griffioen

Henry Griffioen, Respondent (present)

REASONS FOR DECISION ON ACCEPTANCE OF SETTLEMENT

I. INTRODUCTION

[1] By Notice of Hearing issued May 16, 2024, the Canadian Investment Regulatory Organization of Canada (**CIRO**) commenced a disciplinary proceeding against Henry Griffioen (the **Respondent**) pursuant to Mutual Fund Dealer Rules 7.3 and 7.4.

[2] On March 3, 2025, CIRO announced that a Settlement Hearing would be held to consider a Settlement Agreement between CIRO Enforcement Staff (**Staff**) and the Respondent, dated January 29, 2025 (the **Settlement Agreement**).

[3] In the Settlement Agreement, the Respondent admitted to the following contraventions of the MFDA Rules and Mutual Fund Dealer Rules:

- (a) between November 2017 and September 2020, the Respondent engaged in securities related business that was not carried on for the account, or through the facilities, of the Dealer Member by facilitating the sale of promissory notes to clients and another individual, contrary to MFDA Rule 1.1.11 ; and

¹ On January 21, 2022, amendments to MFDA Rule 1.1.1 came into effect. As the conduct addressed in this proceeding pre-dated the amendments to that Rule, the version of MFDA Rule 1.1.1 that was in effect between February 23, 2001 and January 20, 2022, is applicable to this proceeding.

- (b) in or about February 2018 and June 2018, the Respondent created false notes on an account form and in the Dealer Member's system, contrary to Mutual Fund Dealer Rule 2.1.1.

[4] In the Settlement Agreement, the Respondent agreed to the following proposed sanctions:

- (a) the Respondent shall be permanently prohibited from conducting securities related business in any capacity while in the employ of, or associated with, any CISO Dealer Member, commencing on the date the Settlement Agreement is accepted, pursuant to Mutual Fund Dealer Rule 7.4.1.1(e);
- (b) the Respondent shall pay a fine in the amount of \$75,000 in certified funds, pursuant to Mutual Fund Dealer Rule 7.4.1.1(b); and
- (c) the Respondent shall pay costs in the amount of \$5,000 in certified funds, pursuant to Mutual Fund Dealer Rule 7.4.2.

[5] At the conclusion of the Settlement Hearing, the Hearing Panel decided to accept the Settlement Agreement. These are our reasons for that decision.

II. AGREED FACTS

Registration History

[6] From November 29, 1996 to June 20, 2021, the Respondent was registered in Ontario as a dealing representative with Quadrus Investments Services Ltd. (the **Dealer Member**), a Dealer Member of CISO. The Respondent is not currently registered in the securities industry in any capacity.

[7] On September 1, 2019, the Respondent disclosed to the Dealer Member an outside activity involving a company called "Won Company". He disclosed or represented to the Dealer Member, among other things, that he held a 5% ownership in the company, the company's business was lending monies to individuals for mortgages and auto repairs, he had "[zero] say in the company", and the outside activity was only an investment.

[8] On September 17, 2019, the Dealer Member approved the outside activity based on the information disclosed by the Respondent.

Securities Related Business Outside the Dealer Member

[9] Advantagewon Capital Corp. (**Advantagewon**) was a company incorporated by individual MW, an acquaintance of the Respondent. Advantagewon's business involved providing loans to individuals to pay for their car related expenses. Palify Lending (**Palify**), also incorporated by MW, was a corporation through which loans from individuals were made to Advantagewon to fund its business.

[10] Between approximately 2017 and 2020, the Respondent invested a total of approximately \$600,000 in Advantagewon, either directly or through Palify.

[11] Between November 2017 and September 2020, the Respondent facilitated the sale of promissory notes to six clients and one other individual (the **Investors**) in the total amount of approximately \$1,160,000 (the **Promissory Notes**).

[12] The Respondent represented to the Investors that the investment was in Advantagewon. The Respondent did not explain, and the Investors did not understand, that their loans and corresponding Promissory Notes were in fact with Palify, as opposed to with Advantagewon directly.

[13] When describing Advantagewon and the investment opportunity to the Investors, the Respondent represented that:

- (a) the investment opportunity was only open to friends and family;
- (b) the principal investment could be returned at any time;
- (c) the investment was a good one because Advantagewon loaned money to individuals for car related expenses, which gave Advantagewon a mechanics lien that ranked above all other credit for repayment; and

- (d) the Investors would receive a fixed percentage-based interest rate of 15% per annum, calculated and payable monthly.

[14] The Respondent engaged in one or more of the following activities in relation to the purchase by each of the Investors of their Promissory Notes:

- (a) raised and discussed with the Investors the opportunity to invest;
- (b) discussed with the Investors the terms and features of the investment;
- (c) organized and, together with the Investors, attended meetings with MW for the Investors to obtain additional information about Advantagewon and the investment;
- (d) provided promotional materials about Advantagewon;
- (e) provided the Promissory Notes to the Investors for signature and in some instances provided the signed Promissory Notes and the Investors' cheques to MW on behalf of the Investors; and
- (f) communicated with the Investors and MW regarding completing paperwork to facilitate investment by the Investors.

[15] Some of the clients redeemed holdings from their mutual fund accounts at the Dealer Member to purchase the Promissory Notes. The Respondent processed the redemptions to fund the purchases.

[16] At no time did the Respondent disclose to the Dealer Member or obtain its approval to facilitate the sale of the Promissory Notes.

[17] None of the purchases of the Promissory Notes were carried on for the account of the Dealer Member or processed through its facilities.

[18] In January 2021, Advantagewon was put into a court supervised receivership, and its assets were sold to another company. The proceeds from the sale were used substantially to satisfy the debts owed by Advantagewon to its principal secured creditor. No proceeds remained to satisfy debts owing to other creditors, including Palify which was Advantagewon's largest unsecured creditor.

[19] The Investors who purchased the Promissory Notes suffered losses of the principal amounts of their investments, plus some or all of the interest payable pursuant to the Promissory Notes. The Respondent also lost his investment of approximately \$600,000 in Advantagewon.

False Notes

[20] In or about February 2018, a client of the Respondent redeemed holdings in his mutual fund account with the Dealer Member to invest in a Promissory Note. When processing the redemption, the Respondent recorded a note that the purpose of the redemption was to pay for home renovations, which the Respondent was aware was false as he knew the proceeds were intended for the purchase of a Promissory Note.

[21] In or about July 2018, two other clients of the Respondent redeemed holdings from their mutual fund accounts at the Dealer Member to invest in a Promissory Note. The Respondent recorded on the redemption form that the purpose of the redemptions was to pay for travel, which the Respondent was aware was false as he knew the proceeds were intended for the purchase of a Promissory Note.

III. ANALYSIS

MISCONDUCT

Securities Related Business Outside of the Dealer Member

[22] Subject to limited exceptions, MFDA Rule 1.1.1 (now Mutual Fund Dealer Rule 1.1.1) requires Approved Persons to conduct all securities related business for the account of the Member and through the facilities of the Member. As was expressed by the hearing panel in *Wemple (Re)*², MFDA Rule 1.1.1 "is fundamental to the regulatory mandate of the MFDA (now CIRO) to enhance investor protection and strengthen public confidence in the Canadian mutual fund industry". Conducting securities related business outside the supervisory purview of

² 2017 LNCMFDA 138 at paras. 13-15; *Breckenridge (Re)*, 2007 LNCMFDA 38 at paras. 63-65

the Dealer Member can expose clients to substantial harm.

[23] MFDA By-law No. 1, s. 1 (now Mutual Fund Dealer Rule 1A) defines “securities related business” expansively to capture all “business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities for the purpose of applicable securities legislation...”

[24] Section 1 of the Ontario *Securities Act* adopts an expansive definition of “trading”, defining it, in part, as, “any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of [any sale or disposition of a security for valuable consideration]”.

[25] In *Chang (Re)*³, the hearing panel determined that what constitutes an act “directly or indirectly in furtherance of a trade” depends on the circumstances of each case but can include a range of conduct, from meeting with and conducting information sessions with investors and providing promotional materials, to providing investors with agreements or other documents to be executed to facilitate an investment with a third party.

[26] In our view, the Respondent engaged in a number of acts, as outlined in paragraph 14 above, that were in furtherance of a trade and hence, he engaged in “trading” with respect to the Promissory Notes. Accordingly, the Hearing Panel found, as admitted by the Respondent, that his conduct contravened MFDA Rule 1.1.1 when he engaged in securities related business that was not carried on for the account, or through the facilities, of the Dealer Member by facilitating the sale of the Promissory Notes to clients and another individual.

False Notes

[27] Mutual Fund Dealer Rule 2.1.1 prescribes the standard of conduct applicable to registrants in the mutual fund industry and requires, among other things, that Approved Persons deal fairly, honestly, and in good faith with clients; observe high standards of conduct in the transaction of business; and not engage in any business conduct or practice which is unbecoming or detrimental to the public interest.

[28] The Respondent, in creating false records by masking the true purpose of several redemptions, disregarded his obligations as an Approved Person, corrupted the Dealer Member’s records and negatively impacted its ability to supervise the Respondent’s activities. Such conduct was unethical, unbecoming and contrary to the public interest.

[29] The Hearing Panel found, as admitted by the Respondent, that he contravened Mutual Fund Dealer Rule 2.1.1 when he created false notes on a redemption form and in the Dealer Member’s system with respect to the true purpose of several redemptions.

SANCTION

Role of the Hearing Panel

[30] Pursuant to Mutual Fund Dealer Rule 7.4.4.3, a Hearing Panel may either accept a settlement agreement or reject it. It can not substitute its own decision.

[31] The role of a hearing panel at a settlement hearing is fundamentally different from its role at a contested hearing. As was stated by the hearing panel in *Sterling Mutuals Inc. (Re)*⁴, quoting the reasoning in the I.D.A. matter of *Milewski (Re)*⁵:

We also note that while in a contested hearing the Panel attempts to determine the correct penalty, in a settlement hearing the Panel “will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will **not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness**. Put another way, the District Council reflect the public interest benefits of the settlement process in consideration of specific settlements.
[Emphasis added]

³ 2015 LNCMFDA 188 at para. 74

⁴ (2008) Hearing Panel of the Central Regional Council, MFDA File No. 200820, Reasons for Decision dated September 3, 2008, at para. 37

⁵ (1999) I.D.A.C.D. No. 17, Ontario District Council Decision dated July 28, 1999, at p. 10

[32] In determining whether to accept the Settlement Agreement, the Hearing Panel considered primarily whether it was proportionate and fell within a reasonable range of appropriateness, having regard to the Respondent's misconduct, and was aligned with regulatory objectives to protect investors. We also took note that the parties had reached an agreement after extensive negotiations involving experienced counsel and that settlement agreements that involve negotiation and compromise may result in sanctions that may be lower than what might be imposed after a contested hearing. In addition, we considered the public interest benefits of the settlement process.

Considerations

[33] As other hearing panels have done in the past, we considered the following in determining whether the proposed Settlement Agreement should be accepted:

- (a) whether it would be in the public interest to accept it and whether the penalty imposed will protect investors;
- (b) whether it was reasonable and proportionate, having regard to the conduct of the Respondent as set out in the agreement;
- (c) whether it addressed the issues of both specific and general deterrence;
- (d) whether it will prevent the type of conduct described in the Settlement Agreement from occurring again in the future; and
- (e) whether it will foster confidence in the integrity of the Canadian capital markets and in the integrity of CIRO; and
- (f) whether the settlement agreement will foster confidence in the regulatory process.⁶

[34] Also, as other hearing panels have done in the past, we considered a number of specific factors, including the following in determining whether the proposed penalty was appropriate:

- (a) the seriousness of the allegations proved against the Respondent;
- (b) the Respondent's past conduct, including prior sanctions;
- (c) the Respondent's experience and level of activity in the capital markets;
- (d) whether the Respondent recognized the seriousness of the improper activity;
- (e) the harm suffered by investors as a result of the Respondent's activities;
- (f) the benefits received by the Respondent as a result of the improper activity;
- (g) the risk to investors and the capital markets in the jurisdiction, were the Respondent to continue to operate in capital markets in the jurisdiction;
- (h) the damage caused to the integrity of the capital markets in the jurisdiction by the Respondent's improper activities;
- (i) the need to deter not only those involved in the case being considered, but also any others who participate in the capital markets, from engaging in similar improper activity;
- (j) the need to alert others to the consequences of inappropriate activities to those who are permitted to participate in the capital markets; and
- (k) previous decisions made in similar circumstances.⁷

Aggravating Factors

[35] In determining the appropriateness of the proposed sanctions, the Hearing Panel weighed what it

⁶ *Jacobson (Re)* [2007] Hearing Panel of the Prairie Regional Council, MFDA File No. 200712, Panel Decision dated July 13, 2007 at p. 9, para. 4 of Submissions of MFDA Counsel

⁷ *Headley (Re)*, [2006] Hearing Panel of the Ontario Regional Council, MFDA File No. 200509, Reasons for Decision dated February 21, 2006, at para. 8

considered to be the aggravating and mitigating factors. Set out in this section are those which we viewed as aggravating factors.

Seriousness of the Misconduct

[36] Conducting securities related business outside of the Dealer Member and without the firm's knowledge and approval was serious. It involved six clients and one other individual who made investments outside of the supervisory purview of the Dealer Member and ultimately suffered losses. In addition, it was not a onetime lapse of judgement by the Respondent, but rather involved a number of transactions over a period of several years.

[37] As was stated by the hearing panel in *Qi (Re)*⁸:

Conducting securities related business or outside business activity without the approval or knowledge of the Member is serious misconduct. The Member loses its ability to supervise the transactions and to assess the suitability of the transactions for the investors. The misconduct can have dire consequences for the investors involved as the off-book investments may not be suitable for the investors or even legitimate investments. The misconduct may bring the Member or the mutual fund industry into disrepute.

[38] Processing redemptions for some of the Investors from their mutual fund accounts at the Dealer Member in order to purchase the Promissory Notes, and recording false reasons for these transactions was also serious.

Client Harm

[39] The client harm in this case was significant. The subject Investors lost their principal investments totaling approximately \$1,160,000, as well as some or all of the interest payments they were entitled to receive pursuant to the Promissory Notes. While there was no indication that the Respondent was responsible for the failure of Advantagewon, he was involved in facilitating the trades in the Promissory Notes.

Benefit Received by the Respondent

[40] There was no evidence that the Respondent received a direct financial benefit from his conduct. However, as an investor of Advantagewon, he stood to benefit from the investments of others, which facilitated the business of Advantagewon.

The Respondent's Experience in the Securities Industry

[41] The Respondent had been registered in the mutual fund industry for over 21 years at the time the misconduct began, and, as a result, he should have been aware of the rules governing his behaviour.

Mitigating Factors

The Respondent's Past Conduct

[42] The Respondent had not previously been the subject of an MFDA or CIRO disciplinary proceeding.

The Respondent's Recognition of the Seriousness of his Misconduct

[43] By entering into the Settlement Agreement, the Respondent accepted responsibility for his misconduct and saved CIRO the time and resources that would have been involved in a full contested hearing on the merits.

Deterrence

The Hearing Panel considered whether the proposed sanctions would serve the purpose of both specific deterrence of the Respondent, as well as general deterrence of other participants in the capital markets in order to protect investors. As stated by the Supreme Court of Canada in *Cartaway Resources Corp. (Re)*⁹:

The *Oxford English Dictionary* (2nd ed. 1989), vol. XII, defines "preventive" as "[t]hat anticipates in order to ward against; precautionary; that keeps from coming or taking place; that acts as a hindrance or obstacle". A penalty that is meant to deter generally is a penalty that is designed to keep an occurrence from happening; it discourages similar

⁸ 2013 LNCMFDA 87 at para. 11; *Chang (Re)*, 2016 LNCMFDA 59 at paras. 10, 24

⁹ 2004 SCC 26 at para. 61

wrongdoing in others. In a word, a general deterrent is preventative. It is therefore reasonable to consider general deterrence as a factor, albeit not the only one, in imposing a sanction under s. 162. The respective importance of general deterrence as a factor will vary according to the breach of the Act and the circumstances of the person charged with breaching the Act.

Previous Decisions Made in Similar Cases

[44] Staff referred the Hearing Panel to the following cases, submitting that the proposed penalties are consistent with the penalties imposed by hearing panels in previous cases:

Securities Related Business Outside the Dealer Member			
Name	Misconduct	Penalty	Additional Factors
<p><i>Harmer (Re)</i>, 2022 LNCMFDA 125</p>	<p>Allegation #1: Engaged in personal financial dealings with clients by jointly investing in real estate investments and opening and maintaining joint accounts with clients relating to real estate investments, contrary to MFDA Rules 2.1.4, 2.1.1, 2.5.1 and 1.1.2</p> <p>Allegation #2: Engaged in securities related business outside the Member by selling, etc., \$1.1 million of real estate investments, contrary to MFDA Rules 1.1.1 and 2.1.1</p> <p>Allegation #3: Engaged in outside business activities by selling real estate investments, incorporating companies or serving as the President or Director of companies, or being an independent distributor for a skin care company, contrary to MFDA Rules 1.2.1(c), 2.1.1, 2.5.1 and 1.1.2</p> <p>Allegation #4: Engaged in securities related business outside the Member by selling, etc., exempt markets products, contrary to MFDA Rules 1.1.1, 1.1.2, 2.1.1 and 2.5.1</p> <p>Allegation #5: Failure to cooperate with MFDA investigation</p>	<p><u>Contested Hearing</u></p> <ul style="list-style-type: none"> - Permanent prohibition - \$450,000 fine for allegations 1-3 - \$25,000 fine for allegation 4 - \$50,000 fine for allegation 5 - \$20,000 costs 	<ul style="list-style-type: none"> - Clients contributed \$1,145,841 to the joint venture with the respondent and received \$81,500 in returns - Respondent stood to gain from the capital which the clients invested in the joint ventures
<p><i>Breckenridge, supra, (Re)</i>, 2007 LNCMFDA 38</p>	<p>Engaged in securities related business outside the Member by selling, etc., \$1.9 million of an outside investment to 59 clients, contrary to MFDA Rule 1.1.1</p> <p>Deliberately concealed the securities related business described above from the Member, contrary to MFDA Rule 2.1.1(b) and (c)</p>	<p><u>Uncontested</u></p> <ul style="list-style-type: none"> - Permanent prohibition - \$350,000 fine - \$7,500 costs 	<ul style="list-style-type: none"> - No evidence the respondent received compensation - Respondent invested approximately \$34,500 of his own funds and \$25,500 of his wife's funds in the security - Most of the money invested not returned to the clients

<p><i>Kowalsky (Re)</i>, 2022 LNCFMFA 31</p>	<p>Engaged in securities related business outside the Member by selling, etc., \$551,700 of syndicated mortgages to 6 clients and 1 other investor, contrary to the Member's policies and procedures, and MFDA Rules 1.1.1, 2.1.1, 1.1.2 and 2.5.1</p> <p>Engaged in an unapproved referral arrangement in respect of syndicated mortgage investments and received compensation for so doing, contrary to sections 13.7 to 13.10 of National Instrument 31-103, the Member's policies and procedures, and MFDA Rules 2.4.2, 2.1.1, 2.5.1 and 1.1.2</p> <p>19 PSF & 3 photocopied signature pages, contrary to MFDA Rule 2.1.1</p>	<p><u>ASF</u></p> <ul style="list-style-type: none"> - Permanent prohibition - \$40,000 fine - \$2,500 costs 	<ul style="list-style-type: none"> - Client loss of \$260,000 - Benefit to the respondent of \$12,600 - Respondent was subject to a consumer proposal, 72 years old, and living off pension income
<p><i>Gomes (Re)</i> 2020 LNCFMFA 33</p>	<p>Engaged in securities related business outside the Member by selling, etc., \$437,400 of syndicated mortgages to 3 clients, contrary to MFDA Rules 1.1.1, 2.1.1, 2.5.1, and 1.1.2</p> <p>4 pre-signed forms and 2 altered forms</p>	<p><u>ASF</u></p> <ul style="list-style-type: none"> - Permanent prohibition - \$50,000 fine - \$9,462.50 costs 	<ul style="list-style-type: none"> - Respondent had filed for bankruptcy - Likelihood of investors recovering full investment unknown - Respondent received at least \$34,344 in referral fees
<p><i>Cheung (Re)</i> 2019 LNCFMFA 17</p>	<p>Engaged in securities related business outside the Member by selling, etc., \$244,300 of syndicated mortgage investments to 5 clients, contrary to MFDA Rules 1.1.1, 2.1.1, 2.4.2, 2.5.1 and 1.1.2 and the requirements of sections 13.7 and 13.8 of National Instrument 31-103</p> <p>Unapproved referral arrangement, receiving at least \$12,305 in referral fees, contrary to MFDA Rules 2.1.1, 2.4.2, 2.5.1 and 1.1.2, and the requirements of sections 13.7 and 13.8 of National Instrument 31-103</p> <p>Misled Member during the course of its investigation, contrary to MFDA Rule 2.1.1</p>	<p><u>Uncontested</u></p> <ul style="list-style-type: none"> - Permanent prohibition - \$75,000 fine - \$6,000 costs 	<ul style="list-style-type: none"> - Alternate Branch Manager at the time - Conduct went on for a number of years - Extent of client harm unknown/no client complaints
<p><i>D'Souza (Re)</i> 2022 LNCFMFA 155</p>	<p>Engaged in securities related business outside the Member by selling, etc., \$230,800 of syndicated mortgage investments contrary to the Member's policies and procedures and MFDA Rules 1.1.1, 2.1.1, 2.5.1 and 1.1.2</p>	<p><u>ASF</u></p> <ul style="list-style-type: none"> - Permanent prohibition - \$30,000 fine (installment) - \$2,500 costs 	<ul style="list-style-type: none"> - Client loss of \$169,000 - Respondent benefit of \$17,974

False Notes			
Name	Misconduct	Penalty	Additional Factors
<i>Hassanshahi (Re)</i> 2022 LNCMFDA 181	Created false notes of trade instructions, contrary to MFDA Rule 2.1.1 Processed unauthorized switches in the account of a client, contrary to MFDA Rules 2.1.1, 1.1.2 (as it relates to MFDA Rule 2.5.1)	Settlement - \$10,000 fine - \$5,000 costs	
<i>Botescu (Re)</i> 2020 LNCMFDA 67	Created two meeting notes that stated the Respondent had met with the client to approve changes to KYC information and signed the client's initials on the meeting notes, contrary to MFDA Rule 2.1.1 Altered a client's investment objective on a KYC without the client's knowledge or authorization in response to a supervisory inquiry, contrary to MFDA Rules 2.1.1 and 2.2.1 Misled the Member during the course of its investigation, contrary to MFDA Rule 2.1.1	Settlement - \$12,000 fine - \$2,500 costs	
<i>Targerson (Re)</i> , 2022 LNCMFDA 55	Signed a client's signature on 2 account forms and submitted the forms to the Member for processing, contrary to MFDA Rule 2.1.1 Created a false meeting note that stated that the Respondent had met with and obtained the signatures of a client on the account forms contrary to MFDA Rule 2.1.1	ASE - \$7,500 fine - \$2,500 costs	

[45] We noted that in each of the cases relating to the first allegation a permanent prohibition was imposed. However, we did not otherwise find those cases particularly instructive in determining an appropriate fine amount. None of the cases involved a negotiated settlement, which frequently results in a lower fine than might have been imposed after a hearing on the merits. In the first two cases, the fines imposed were significantly higher than what was proposed in the present case. The case of *Harmer (Re)* may be distinguished on the basis that it involved personal financial dealings with clients giving rise to a serious conflict or potential conflict of interest which played a significant part in the hearing panel's assessment of the fine. The case of *Breckenridge (Re)* could be distinguished on the basis that it involved: a significantly higher number of transactions and clients who invested approximately \$740,000 more than in the present case; a respondent who in some respects had more direct involvement in recommending and facilitating the trades; and a respondent who actively concealed his activities from his firm for 3.5 years. In the other cases relating to the first allegation, the fines ranged from \$30,000 to \$75,000.

Decision on Sanction

[46] In our view, a permanent prohibition on the ability of the Respondent to conduct securities related business in any capacity while in the employ of or associated with any CIRO Dealer Member was appropriate in the circumstances. It is a significant sanction that reflects the seriousness of the misconduct. It will clearly preclude the Respondent from engaging in this type of conduct in the future and should send a clear message to others in the mutual fund industry that this kind of conduct will not be tolerated.

[47] In our view, based on the information presented at the Settlement Hearing, the proposed fine of \$75,000 was proportionate and fell within a reasonable range of appropriateness, having regard to the Respondent's misconduct, albeit at the lower end, particularly given the Investors' losses. We had some concerns that it might not adequately act as a general deterrent to others. Had the Hearing Panel been asked to assess a correct financial penalty, it might have been a higher amount. However, in the context of assessing whether to accept a settlement agreement, as previously stated, that is not our role. Also, as noted in *Cartaway Resources Corp. (Re)*, general deterrence is only one of the factors to be considered.

[48] In deciding to accept the proposed fine, we weighed all of the aggravating and mitigating factors set out above. In addition, we took into account that:

- (a) a permanent prohibition is a significant sanction which we expect will negatively impact the Respondent's livelihood and should serve as a general deterrent to others;
- (b) the Respondent himself lost approximately \$600,000 in a related investment;
- (c) while the Respondent has not made restitution to the Investors, we were advised by counsel at the hearing that the Respondent, along with some others, is a defendant in litigation relating to the subject investments in which the Investors may recover some or all their losses against those who may be held responsible, including the Respondent; and
- (d) there is a public interest benefit to the settlement process.

[49] With respect to costs, while they may be on the low side given how much time we expect Staff committed to this case, we were prepared to accept the proposed costs of \$5000.

IV. CONCLUSION

[50] The Hearing Panel decided to accept the Settlement Agreement on the basis that the proposed sanction was proportionate and fell within a reasonable range of appropriateness, having regard to the Respondent's conduct, it should serve as a specific and general deterrent and was aligned with regulatory objectives.

DATED at Ontario, this 15th day of April, 2025

"Joan Smart"

Joan Smart, Chair

"Linda Anderson"

Linda Anderson, Industry Representative

"Vas Pachapurkar"

Vas Pachapurkar, Industry Representative

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**IN THE MATTER OF
THE MUTUAL FUND DEALER RULESⁱ
and
Henry Griffioen**

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The Canadian Investment Regulatory Organization, a consolidation of IIROC and the MFDA (“**CIRO**”) will announce that it proposes to hold a hearing (the “**Settlement Hearing**”) to consider whether, pursuant to Mutual Fund Dealer Rule 7.4.4.3, a hearing panel of the Ontario District Committee (the “**Hearing Panel**”) of CIRO should accept the settlement agreement (the “**Settlement Agreement**”) entered into between Staff of CIRO (“**Staff**”) and Henry Griffioen (the “**Respondent**”).

2. Staff and the Respondent consent and agree to the terms of this Settlement Agreement.

3. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.

II. CONTRAVENTIONS

4. The Respondent admits to the following violations of the MFDA Rules and Mutual Fund Dealer Rules:

(a) between November 2017 and September 2020, the Respondent engaged in securities related business that was not carried on for the account or through the facilities of the

Dealer Member by facilitating the sale of promissory notes to clients and another individual, contrary to MFDA Rule 1.1.1;¹ and

(b) in or about February 2018 and June 2018, the Respondent created false notes on an account form and in the Dealer Member's system, contrary to Mutual Fund Dealer Rule 2.1.1.

III. TERMS OF SETTLEMENT

5. Staff and the Respondent agree and consent to the following terms of settlement:

(a) the Respondent shall be permanently prohibited from conducting securities related business in any capacity while in the employ of or associated with any CIRO Dealer Member commencing on the date the Settlement Agreement is accepted, pursuant to Mutual Fund Dealer Rule 7.4.1.1(e);

(b) the Respondent shall pay a fine in the amount of \$75,000 in certified funds, pursuant to Mutual Fund Dealer Rule 7.4.1.1(b);

(c) the Respondent shall pay costs in the amount of \$5,000 in certified, pursuant to Mutual Fund Dealer Rule 7.4.2; and

(d) the Respondent will attend by videoconference on the date set for the Settlement Hearing.

6. Staff and the Respondent agree to the settlement on the basis of the facts set out in this Settlement Agreement.

¹ On January 21, 2021, amendments to MFDA Rule 1.1.1 came into effect. As the conduct in this proceeding pre-dated the amendments to that Rule, the version of MFDA Rule 1.1.1 that was in effect between February 23, 2001 and January 20, 2021 is applicable to this proceeding.

IV. AGREED FACTS

Overview

7. Between November 2017 and September 2020, unbeknownst to the Dealer Member and without its approval, the Respondent facilitated the sale of investments outside the Dealer Member in promissory notes to at least six clients and another individual (collectively, the “Investors”). The Investors invested a total of approximately \$1,160,000 in the Promissory Notes.

8. In or about December 2021, the Investors ceased receiving payments and suffered financial losses of their principal amounts invested plus some or all of the interest they were entitled to pursuant to the Promissory Notes.

Registration History

9. From November 29, 1996 to June 20, 2021, the Respondent was registered in Ontario as a dealing representative with Quadrus Investments Services Ltd. (the “Dealer Member”), a Dealer Member of CIRO (formerly a Member of the MFDA).

10. At all material times, the Respondent conducted business in the London, Ontario area.

11. The Respondent is not currently registered in the securities industry in any capacity.

12. On September 1, 2019, the Respondent disclosed to the Dealer Member an outside activity involving a company called “Won Company”. The Respondent disclosed or represented to the Dealer Member, among other things, that he held a 5% ownership in the company; the company’s business was lending monies to individuals for mortgages and auto repairs; and that he had “[zero] say in the company” and the outside activity was “only an investment.”

13. On September 17, 2019, the Dealer Member approved this outside activity based on the above information disclosed by the Respondent.

Securities Related Business Outside the Dealer Member

14. Advantagewon Capital Corp. (“**Advantagewon**”) was a company incorporated by individual MW, who was an acquaintance of the Respondent. Advantagewon’s business involved providing loans to individuals to pay for their car related expenses. Palify Lending (“**Palify**”), which was also incorporated by individual MW, was a corporation through which loans from individuals were made to Advantagewon to fund its business.

15. Between approximately 2017 and 2020, the Respondent invested a total of approximately \$600,000 in Advantagewon, either directly or through Palify.

16. Between November 2017 and September 2020, the Respondent facilitated the sale of promissory notes to the Investors. The Respondent represented to the Investors that the investment was in Advantagewon. The Investors entered into promissory notes for this investment with Palify, which, as described above, was a company through which individuals loaned monies to Advantagewon.

17. The Respondent did not explain, and the Investors did not understand, that their loans and the corresponding promissory notes were with Palify as opposed to Advantagewon directly.

18. When describing Advantagewon and the investment opportunity to the Investors, the Respondent represented the following:

(a) the investment opportunity was only open to friends and family;

(b) the principal investment could be returned at any time;

(c) the investment was a good investment because Advantagewon loaned money to individuals for car related expenses, which gave Advantagewon a mechanics lien that ranked above all other credit for repayment; and

(d) the Investors would receive a fixed percentage-based interest rate of 15% per annum, calculated and payable monthly.

19. The Respondent facilitated the sale of the promissory notes to the Investors in the total amount of approximately \$1,160,000, as set out below:

Investors	Amount Invested
Client AB	\$80,000 on January 3, 2018 \$20,000 on March 26, 2018 \$60,000 on November 26, 2018
Client JM	\$200,000 on February 21, 2018 \$100,000 on July 24, 2019
Clients PC and EC	\$100,000 in or about July 2018
Clients QB and MLB	\$200,000 on November 20, 2018 \$100,000 on April 5, 2019 \$100,000 on March 12, 2020
Individual EV	\$200,000 on September 28, 2020
Total:	\$1,160,000

20. The Respondent engaged in one or more of the following activities in relation to the purchase by each of the Investors of the promissory notes:

- (a) raised and discussed with the Investors the opportunity to invest;
- (b) discussed with the Investors the terms and features of the investment;
- (c) organized and together with Investors attended meetings with individual MW for the Investor to obtain additional information about Advantagewon and the investment;
- (d) provided promotional materials about Advantagewon;
- (e) provided the promissory notes to the Investors for signature and in some instances provided the signed promissory notes and the Investors' cheques to individual MW on behalf of the Investors; and
- (f) communicated with the Investors and individual MW regarding completing paperwork to facilitate the investment by the Investors.

21. Some of the clients redeemed holdings from their mutual fund accounts at the Dealer Member to purchase the Promissory Notes. The Respondent processed the redemptions at the Dealer Member to fund the purchases.

22. At no time did the Respondent disclose to the Dealer Member or obtain its approval to facilitate the sale of the promissory notes as described above.

23. None of the purchases of the promissory notes were carried on for the account of the Dealer Member or processed through its facilities.

24. In January 2021, Advantagewon was put into a court supervised receivership, and its assets were sold to another company. The proceeds from the sale were substantially used to satisfy the debts owed by Advantagewon to its principal secured creditor. No proceeds remained to satisfy the debts owed to other creditors of Advantagewon, including Palify, which was Advantagewon's largest unsecured creditor.

25. Accordingly, the Investors who purchased the promissory notes described above suffered financial losses of the principal amounts of their investments, plus some or all of the interest payable pursuant to the promissory notes. The Respondent also lost his investment in Advantagewon.

False Notes

26. In or about February 2018, client JM redeemed holdings in his mutual fund account with the Dealer Member to invest in a promissory note. When processing the redemption, the Respondent recorded a note that the purpose of the redemption was to pay for home renovations, which was false, since the proceeds were intended for the purchase of a promissory note. The Respondent was aware of the true purpose of the redemption at the time that he processed the trade.

27. In or about July 2018, clients EC and PC redeemed holdings from their mutual fund accounts with the Dealer Member to invest in a promissory note. The Respondent recorded on the redemption form that the purpose of the redemptions was to pay for travel, which was false, since the proceeds were intended for the purchase of a promissory note. The Respondent was aware of the true purpose of the redemption at the time that he processed the trades.

Additional Factors

28. The Investors collectively suffered the loss of their principal investments totalling \$1,160,000.
29. The Respondent lost his investment of approximately \$600,000.
30. As an investor of Advantagewon, the Respondent stood to benefit from the investments of others, which facilitated the business of Advantagewon.
31. There is no evidence that the Respondent received any direct financial benefit as a result of the misconduct beyond the return he received on his own investment in Advantagewon to which he was entitled.
32. The Respondent has not previously been subject to CIRO (or MFDA) proceedings.
33. By entering into this Settlement Agreement, the Respondent has accepted responsibility for his misconduct and has saved CIRO the time, resources, and expenses associated with conducting a contested hearing on the allegations.

V. ADDITIONAL TERMS OF SETTLEMENT

34. This settlement is agreed upon in accordance with Mutual Fund Dealer Rule 7.4.4 and Rules 14 and 15 of the Mutual Fund Dealer Rules of Procedure.
35. The Settlement Agreement is subject to acceptance by the Hearing Panel. At or following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement. Settlement Hearings are typically held in the absence of the public pursuant to Mutual Fund Dealer Rule 7.3.5 and Rule 15.2(2) of the Mutual Fund Dealer Rules of Procedure. If the Hearing Panel accepts the Settlement Agreement, then the proceeding will become open to the public and a copy of the decision of the Hearing Panel and the Settlement Agreement will be made available at www.ciro.ca.

36. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel. Unless otherwise agreed, any monetary penalties and costs imposed upon the Respondent are payable immediately, and any suspensions, revocations, prohibitions, conditions or other terms of the Settlement Agreement shall commence, upon the effective date of the Settlement Agreement.

37. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel:

- (a) the Settlement Agreement will constitute the entirety of the evidence to be submitted at the settlement hearing, subject to Rule 15.3 of the Mutual Fund Dealer Rules of Procedure;
- (b) the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal, including before the Board of Directors of CIRO or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction;
- (c) except for any proceedings commenced to address an alleged failure to comply with this Settlement Agreement, Staff will not initiate any proceeding under the Mutual Fund Dealer Rules against the Respondent in respect of the contraventions described in this Settlement Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any contraventions that are not set out in this Settlement Agreement, whether known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations;
- (d) the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to Mutual Fund Dealer Rule 7.4.1.1 for the purpose of giving notice to the public thereof in accordance with Mutual Fund Dealer Rule 7.4.5; and
- (e) neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against the Respondent.

38. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under Mutual Fund Dealer Rule 7.4.3 against the Respondent based on, but not limited to, the facts set out in this Settlement Agreement, as well as the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the proceeding(s) may be heard and determined by a hearing panel comprised of all or some of the same members of the hearing panel that accepted the Settlement Agreement, if available.

39. If, for any reason, this Settlement Agreement is not accepted by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to Mutual Fund Dealer Rules 7.3 and 7.4, unaffected by the Settlement Agreement or the settlement negotiations.

40. The terms of this Settlement Agreement will be treated as confidential by the parties hereto until accepted by the Hearing Panel, and forever if, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel, except with the written consent of both the Respondent and Staff or as may be required by law. The terms of the Settlement Agreement will be released to the public if and when the Settlement Agreement is accepted by the Hearing Panel.

41. The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement. A facsimile or electronic copy of any signature shall be as effective as an original signature.

DATED this 29th day of January, 2025.

“Henry Griffioen”

Henry Griffioen

“Witness”

Witness - Signature

“Witness”

Witness - Print name

“Alan Melamud”

Staff of the Canadian Investment Regulatory Organization
per: Alan Melamud, Senior Enforcement Counsel

iM#: 1523484

ⁱ On January 1, 2023, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association of Canada (the “MFDA”) were consolidated into a single self-regulatory organization that is called the Canadian Investment Regulatory Organization (referred to herein as “CIRO”) and is recognized under applicable securities legislation. CIRO 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 certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation. Pursuant to Mutual Fund Dealer Rule 1A and s. 14.6 of By-law No. 1 of CIRO, contraventions of former MFDA regulatory requirements may be enforced by CIRO.