



IN THE MATTER OF
THE MUTUAL FUND DEALER RULES

and

Michael Roland Smith

AGREED STATEMENT OF FACTS

I. INTRODUCTION

1. By Notice of Hearing dated September 18, 2024, the Canadian Investment Regulatory Organization (“**CIRO**”) commenced a disciplinary proceeding against Michael Roland Smith (the “**Respondent**”) pursuant to Mutual Fund Dealer Rules 7.3 and 7.4.

2. The Notice of Hearing sets out the following allegations:

Allegation #1: Between January 2017 and May 2023, the Respondent misappropriated or otherwise obtained monies from a client, some or all of which he did not repay, contrary to MFDA Rules 2.1.1 or 2.1.4.

Allegation #2: On or about March 17, 2022, the Respondent changed the designated beneficiary for a client’s mutual fund accounts to the Respondent’s family members, contrary to Mutual Fund Dealer Rules 2.1.1 or 2.1.4(2).

Allegation #3: Commencing on July 31, 2024, the Respondent failed to cooperate with an investigation into his conduct by CIRO Staff, contrary to Mutual Fund Dealer Rule 6.2.1.

II. IN PUBLIC/IN CAMERA

3. The Respondent and Staff of the Corporation (“**Staff**”) agree that this matter should be heard in public pursuant to Rule 1.8 of the Mutual Fund Dealer Rules of Procedure.

III. ADMISSIONS AND ISSUES TO BE DETERMINED

4. The Respondent has reviewed this Agreed Statement of Facts and admits the facts set out in Part IV herein. The Respondent admits that the facts in Part IV constitute misconduct for which the Respondent may be penalized on the exercise of the discretion of a Hearing Panel of the Nova Scotia District Committee (the “Hearing Panel”) of the Corporation pursuant to Mutual Fund Dealer Rule 7.4.1.

5. Staff and the Respondent jointly request that the Hearing Panel determine, on the basis of this Agreed Statement of Facts, the appropriate penalty to impose on the Respondent.

6. Staff and the Respondent agree that submissions made in this proceeding will be based only on the agreed facts in Part IV, and no other information, facts or documents, subject to the content of this paragraph and paragraph 7 below.

7. In the event that the Hearing Panel advises one or both of Staff and the Respondent of any additional facts that it considers necessary in order to determine the issues before it, Staff and the Respondent agree that such additional facts may be provided to the Hearing Panel, either: (a) with the consent of both Staff and the Respondent if the additional facts are agreed upon; (b) if the Respondent is not present at the hearing, Staff may disclose additional relevant facts, at the request of the Hearing Panel; or (c) if the parties are both present at the hearing and are not in agreement about the additional facts requested by the Hearing Panel, the parties will be given a reasonable opportunity to lead evidence concerning the additional facts. In circumstances where a party leads evidence concerning additional facts requested by the Hearing Panel, the opposing party may cross-examine any witness tendered to lead such evidence and shall be given a reasonable opportunity to lead responding evidence if they wish to do so.

IV. AGREED FACTS

Registration History

8. Between January 16, 2012 and May 24, 2023, the Respondent was registered as a dealing representative in Nova Scotia and New Brunswick with Investors Group Financial Services Inc. (the “**Dealer Member**”), a Dealer Member of CIRO (formerly a Member of the MFDA).

9. On May 24, 2023, the Respondent ceased to be registered as a result of the conduct that is the subject of this proceeding and the Respondent is not currently registered in the securities industry in any capacity.

10. At all material times, the Respondent conducted business in the Amherst, Nova Scotia area.

Allegation #1 - Misappropriation

11. At all material times, the Dealer Member's policies and procedures prohibited its Approved Persons from misappropriating client monies and linking a client's account with the Approved Person's bank account.

12. At all material times, client BR was a client of the Dealer Member whose accounts were serviced by the Respondent.

13. At the time the misconduct described below commenced, client BR was 74 years old, retired, and held approximately \$170,000 in a non-registered account and \$450,000 in two registered accounts with the Dealer Member. At around the time the Respondent's misconduct was discovered, the balance remaining in client BR's non-registered account and registered accounts was approximately \$54 and \$111, respectively.

14. Between March 2017 and May 2023, the Respondent processed 236 mutual fund redemptions and 200 electronic cash withdrawals from client BR's accounts.¹ In each instance, the Respondent directed the proceeds of redemption and the electronic cash withdrawals to the Respondent's bank account by submitting to the Dealer Member a banking customer account information form that falsely portrayed the Respondent's bank account as belonging to client BR.²

¹ Beginning in November 2019, client BR's investment accounts were changed to nominee accounts, such that proceeds of redemption were placed as cash in the investment accounts, necessitating cash withdrawals for the Respondent to obtain the money.

² Between March 2017 and May 2018, the Respondent used the false banking customer account information form to submit "one-time" instructions with each unauthorized redemptions to direct the proceeds to the Respondent's bank account. In May 2018, the Respondent used the same false form to change client BR's banking information with the Dealer Member from client BR's bank account to the Respondent's bank account on a go-forward basis.

15. In addition, between May 2018 and November 2019, by changing the banking information for client BR recorded with the Dealer Member to the Respondent's bank account, the Respondent received monies resulting from payouts from client BR's RRIF account.

16. In total, the Respondent obtained \$460,126.47.

17. All the mutual fund redemptions and electronic cash withdrawals described above, the change to client BR's banking information with the Dealer Member, and the Respondent's receipt of the payout from the RRIF was done without client BR's knowledge or authorization.

18. The Respondent provided client BR with two false account statements covering the periods between July 1, 2022 through September 30, 2022 and October 1, 2022 through December 31, 2022, respectively, which falsely showed \$260,000 in investments in client BR's non-registered account that did not exist.

19. Between 2017 and 2018, the Respondent received four blank signed cheques from client BR, which client BR provided to make investments with the Dealer Member. The Respondent completed the cheques and, without client BR's knowledge or authorization, placed the Respondent's name as the payee. The Respondent deposited the cheques, which totaled \$26,500, into the Respondent's bank account.

20. In addition to the loss of the \$486,626.47 due to the Respondent's conduct described above, client BR also suffered tax expenses of \$41,578.50 and deferred sales charges of \$1,678.20 as result of the Respondent's unauthorized redemptions.

Allegation #2 – Beneficiary Designations

21. At all material times, the Dealer Member's policies and procedures required that its Approved Persons identify, report to the Dealer Member, and address in the best interest of the client all existing and reasonably foreseeable conflicts of interest.

22. On or around March 17, 2022, the Respondent completed and submitted for processing two account forms to change the beneficiary of client BR's two registered accounts from client BR's cousin to three individuals who were non-arm's length to the Respondent.

23. Client BR had no knowledge and did not authorize the Respondent to change the beneficiaries of client BR's accounts.

Allegation #3 – Failure to Cooperate

24. On May 16, 2023, Staff commenced an investigation into the Respondent's conduct after receiving a complaint made on client BR's behalf by client BR's accountant concerning among other things, that client BR's investment accounts appeared to have been depleted.

25. On January 24, 2024, Staff interviewed the Respondent, during which he told Staff that he had borrowed, not misappropriated money from client BR. The Respondent stated that he had needed the money to assist paying his business expenses so that he could continue to act as a mutual fund advisor. The Respondent also claimed that he had begun to repay the loan by making monthly deposits of \$1,167 into client BR's bank account.

26. During the interview, among other documents and information, Staff requested that the Respondent provide his annual gross and net income between 2017 and 2023 and evidence of his monthly deposits of \$1,167 into to client BR's bank account (collectively, the "**undertakings**") following the interview.

27. Between January 26, 2024 and July 17, 2024, Staff made multiple requests to the Respondent that he satisfy the undertakings as well as provide his bank records and confirm whether he had created false account statements as described above.

28. Despite Staff's repeated requests and repeated extensions granted to the Respondent, the Respondent failed to satisfy the undertakings or provide the additional documents and information requested by Staff. As a result, Staff was unable to determine the full nature and extent of the Respondent's conduct, including whether the Respondent engaged in similar misconduct with other clients.

29. The Respondent now admits that he misappropriated money from client BR as described in this Agreed Statement of Facts and that he did not make any repayment to client BR.

Additional Factors

30. The Dealer Member paid client BR \$597,399.23 to fully compensate her for the amounts misappropriated, the expenses incurred, and the foregone gains that resulted from the Respondent's misconduct. The Dealer Member also took steps to restore the beneficiary of client BR's accounts to her cousin.

31. Following the discovery of the misconduct, the Dealer Member sent audit letters to the Respondent's clients, reviewed the Respondent's email correspondence with clients, and reviewed Dealer Member account documents completed by the Respondent. The Dealer Member did not find any other evidence of misappropriation, borrowing from clients, or the Respondent changing the beneficiary of clients' accounts without authorization.

32. The Dealer Member commenced civil proceedings against the Respondent to recover the money it spent compensating client BR. The civil proceedings remain ongoing.

33. The Respondent has been criminally charged with several counts of theft and fraud in connection with the misconduct described above. The criminal proceedings remain ongoing.

34. The Respondent has not previously been the subject of CISO (or MFDA) disciplinary proceedings.

Misconduct Admitted

35. By engaging in the conduct described above, the Respondent admits that he:

(a) between January 2017 and May 2023, misappropriated monies from a client contrary to Mutual Fund Dealer Rule 2.1.1;

(b) on or about March 17, 2022, changed the designated beneficiary for a client's mutual fund accounts to three individuals who were non-arm's length to the Respondent without the client's knowledge or authorization, contrary to Mutual Fund Dealer Rule 2.1.1; and

(c) commencing on July 31, 2024, failed to cooperate with an investigation into his conduct by CIRO Staff, contrary to Mutual Fund Dealer Rule 6.2.1.

V. EXECUTION OF AGREED STATEMENT OF FACTS

36. This Agreed Statement of Facts may be signed in one or more counterparts, which together shall constitute a binding agreement.

37. An electronic copy of any signature shall be effective as an original signature.

DATED this 26th day of May 2025.

“Michael Roland Smith”
Michael Roland Smith

“Alan Melamud”
Staff of the Canadian Investment Regulatory Organization
Alan Melamud, Senior Enforcement Counsel