Re Lougheed

IN THE MATTER OF

The Investment Dealer and Partially Consolidated Rules and Dealer Member Rules

and

Andrew John Lougheed

2025 CIRO 41

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: June 16, 2025 (hearing on liability, in-person) and July 17, 2025
(hearing on sanctions, via videoconference), in Toronto, Ontario
Decision and Reasons: August 18, 2025

Hearing Panel:
Paul M. Moore, K.C., Chair
David Lang, Industry Representative
Natalie Coutu, Industry Representative

Appearances:
Alan Melamud, Senior Enforcement Counsel
Andrew John Lougheed, (present at the hearing on sanctions only)

REASONS FOR DECISION ON LIABILITY AND SANCTIONS

OVERVIEW

[1] This was a disciplinary hearing by Enforcement staff (**Staff**) of the Canadian Investment Regulatory Organization (**CIRO**) against Andrew John Lougheed (**Respondent**) for two contraventions of CIRO's rules relative to Respondent's i) facilitating off-book investments and ii) engaging in an unauthorized outside business activity. These were set out as two contraventions as follows:

> **Contravention 1:** Between December 2021 and February 2023, the Respondent facilitated off-book investments in a private placement without the knowledge or approval of the Dealer Member, contrary to Investment Dealer and Partially Consolidated (**IDPC**) Rule 1400.
>
> **Contravention 2:** Between December 2021 and February 2023, the Respondent engaged in an outside business activity in connection with facilitating off-book investments in a private placement, contrary to Dealer Member Rule 18.14 prior to December 31, 2021 and Section 2554 of the IDPC Rules thereafter.

[2] A copy of Staff's Statement of Allegations is attached to these reasons as Appendix.

[3] The Respondent filed a response (Response) to the allegations that did not admit any significant facts alleged by Staff and did not suggest any evidence to dispute Staff's allegations. The Respondent subsequently

advised Staff that he intended to dispute the allegations through the evidence of a multitude of witnesses at the hearing on the merits.

[4] At an appearance by videoconference, with Staff and the Respondent in attendance, Staff recommended and the Respondent concurred that we set aside five full hearing days for the hearing on the merits from June 16 to 20, 2025.

[5] The hearing on the merits was held on June 16, 2025.

[6] The Respondent failed to appear at the hearing on the merits and took no further steps to dispute the allegations.

[7] Rather than simply relying on CIRO's Rules of Procedure, which entitled the Panel in the absence of the Respondent at the hearing to accept as proven the facts alleged in the Statement of Allegations, Staff introduced evidence and presented the case it had prepared to prove the allegations.

[8] On June 16, 2025, the Panel decided and announced that Staff had proven the allegations against the Respondent, and that it would issue reasons for its decision when it had determined appropriate sanctions after a hearing on sanctions.

[9] We set July 17, 2025, as the date for a hearing on sanctions. The Respondent was advised of this.

[10] In a written submission on sanctions dated July 14, 2025 (well after the hearing on the merits), the Respondent stated:

> I acknowledge and deeply regret the regulatory transgressions which I have been found to have committed.
> I recognize that I ought to have disclosed these matters at the appropriate time to my then employer and that by failing to have done so, I ran afoul of certain policies, procedures and industry Rules.
> I understood from documents associated with this proceeding that if I did not participate in the previous Hearing, I would be deemed to admit the allegations that Staff asserted. I therefore chose to not participate, not to disregard the matter or disrespect CIRO or Staff, but to not contest or challenge, and instead to admit the allegations.

[11] On July 17, 2025, we had a sanctions hearing. We reserved our decision on sanctions and costs for later deliberation by the Panel.

DECISION AND ORDER ON SANCTIONS AND COSTS

[12] We now determine and order the following sanctions:

i. The Respondent pay a fine of $20,000;
ii. The Respondent pay disgorgement of $74,531 as the Canadian dollar equivalent of the amounts the Respondent obtained for facilitating the off-book investments; and
iii. The Respondent be prohibited from registration in any capacity with CIRO for a period ending on the later of July 17, 2026 (being a date one year from the date of the sanctions hearing) and the date that the general fine, the disgorgement, and the costs award have been paid in full.

[13] We determine and order that the Respondent pay $15,000 as a costs award (the costs).

FACTS

[14] The basic facts in this proceeding are set out in the Statement of Allegations. (Short-forms, initials, and abbreviations used below in these reasons are used as defined in the Statement of Allegations.)

[15] Additional particulars were provided at the hearing on the merits by witnesses and affidavits admitted in evidence.

[16] Some of the facts we took special notice of were:

Respondent's Registration Status

[17] The Respondent is not currently registered in the securities industry in any capacity.

The Dealer Member's Policies and Procedures

[18] At all material times, the Respondent's Dealer Member's policies and procedures prohibited its Approved Persons (such as the Respondent) from engaging in "off-book" transactions, which included "[a]ny situation where an advisor arranges, facilitates and/or is compensated for investment or financial sales, services or advice and the relevant transaction is not recorded in the firm's records and reflected in the client's account". The policy also made explicit mention of advisors facilitating private placements as a common example of "off-book" activity.

[19] At all material times, the Respondent's Dealer Member's policies and procedures required that its Approved Persons disclose and obtain approval prior to engaging in any outside business activities.

[20] The Respondent was aware of these policies and procedures as evidenced by the fact that on December 19, 2019, the Respondent disclosed and received approval for his roofing business from his Dealer Member.

Facilitating Off-Book Investments

[21] The Respondent engaged in the following conduct with some or all of the potential investors and other individuals:

a. introduced the investment opportunity to invest in Power Leaves Corp. (**PLC**) when potential investors, with whom the Respondent had developed a relationship of trust, asked the Respondent about the Respondent's own investments;

b. described PLC's business, the investment opportunity, his belief in the business, and his belief in the Chief Executive Officer of PLC (**PM**);

c. had meetings with potential investors to discuss the investment opportunity in PLC;

d. arranged telephone calls between potential investors and PM;

e. forwarded potential investors PLC marketing material;

f. assisted PLC with organizing an investor presentation by PM and invited potential investors;

g. sent a recording of the presentation to certain potential investors who were unable to attend the investor presentation;

h. sent blank subscription agreement to potential investors;

i. assisted potential investors with the completion of their subscription agreements by writing in the required information, including completing the section addressing whether these investors satisfied the accredited investor exemption;

j. in at least one instance, gave assurances concerning the liquidity risk of the private placement;

k. sent completed subscription agreements to PLC; and

l. assisted investors with obtaining share certificates from PLC.

[22] When communicating with potential investors and acting as a relay between PLC and investors, the Respondent used his Dealer Member email address.

[23] In at least five instances, the Respondent assisted with or completed the subscription agreements for potential investors inaccurately. On individual DF's subscription agreement, the Respondent inaccurately recorded that DF satisfied the accredited investor exemption by virtue of being a close personal friend of PM when this was not the case. The Respondent recorded this information based on his own relationship with PM.

[24] On client VM, individual KM, individual BC Inc., and individual MPP Corp.'s subscription agreements, the investors were qualified as accredited investors based on having financial assets greater than $1 million. However, in each case, these calculations included the investors' real estate, which the subscription agreements

explicitly stated was not to be included in the calculation. Absent the value of real estate, none of these investors would reach the $1 million threshold. For BC Inc. and MPP Corp., the calculations in addition included their owners' personal assets as opposed to the assets of the corporations as required by the subscription agreement. In each case, the Respondent either completed the subscription agreement for the investor or assisted the investor with its completion.

[25] In connection with the investments in PLC shares by the 5 clients and 18 other individuals described in the Statement of Allegations, the Respondent submitted two invoices from his company, 2805039 Ontario Inc., to PLC for $14,125USD and $41,725USD, respectively, for finder's fees. The Respondent received $14,125USD in PLC shares and $41,725USD in cash (the shares and cash being equivalent in value to $74,531 Canadian dollars) from PLC. The cash was paid to his personal bank account.

[26] The Respondent did not disclose his activities described above with respect to facilitating investment in PLC shares to his Dealer Member. The Dealer Member had no knowledge of the Respondent's activities prior to its investigation, which arose from complaints made against the Respondent. The PLC shares were not approved for sale by the Dealer Member, and the investments described above were not recorded in the books of the Dealer Member.

Unapproved Outside Business Activity

[27] On May 4, 2022, the Respondent entered into an agreement (the **Finder's Agreement**) with PLC entitling the Respondent to a commission for introducing potential investors to PLC who participate in its private placements.

[28] As stated above, in connection with some or all of the conduct described above, the Respondent invoiced PLC and was paid finder's fees arising from the investments in PLC by the investors.

[29] The Respondent did not disclose any of his activity in connection with PLC to his Dealer Member and did not receive approval to introduce potential investors to PLC or otherwise facilitate investments in PLC shares.

LAW AND ANALYSIS

Facilitating Off-Book Investments

[30] The evidence establishes that the Respondent engaged in various conduct to facilitate off-book investments in PLC shares. When dealing with clients and non-clients that he knew trusted him on matters of investing, the Respondent introduced and recommended the investment, explained the business of PLC, connected the potential investors with PLC by arranging a presentation and organizing telephone calls, forwarded marketing materials, provided blank subscription agreements, assisted some potential investors with the completion of their subscription agreements, and acted as a go-between PLC and the individuals who agreed to invest. As mentioned above, as a result of his efforts, 5 clients and 18 other individuals invested in PLC shares for which the Respondent received finder's fees in cash and shares.

[31] Rule 1402 of the Investment Dealer and Partially Consolidated Rules (IDPC Rules) sets out the standard of conduct for Approved Persons, which requires that Approved Persons observe high standards of ethics and conduct and not engage in any business conduct that is unbecoming or detrimental to the public interest. Previous cases have found that similar conduct to that engaged in by the Respondent constitutes facilitating off-book investments in contravention of section 1402 of the IDPC Rules.

[32] The evidence further establishes that the Respondent never disclosed his activities for PLC to his Dealer Member. PLC shares were not an approved product of the Dealer Member that could be offered by its Approved Persons, and any investments in PLC shares were held off-book and not in the Dealer Member client accounts. As previously held by hearing panels, facilitating off-book investments without the Dealer Member's approval is deceptive conduct that cannot co-exist with high standards of ethics. In addition, such conduct undermines public confidence in the investment industry because it subverts Dealer Member's supervision, a fundamental protection for clients.

[33] In at least five instances, the Respondent completed the subscription agreements on behalf of potential

investors inaccurately. On individual DF's subscription agreement, the Respondent inaccurately recorded that DF satisfied the accredited investor exemption by virtue of being a close personal friend of PM when this was not the case. On client VM, individual KM, individual BC Inc., and individual MP's subscription agreements, the Respondent improperly included the investors' real estate as forming part of their "financial assets", without which these investors would not satisfy the $1,000,000 of net financial assets required for the "accredited investor" exemption.

[34] The requirement that only "accredited investors" can invest in a private placement without the benefit of a prospectus is itself an important element of our investor protection regime. The Respondent subverted Dealer Member's supervision and then facilitated investments by clients and non-clients that potentially lacked the sophistication and the financial resources to make the investment appropriate.

[35] Accordingly, by facilitating investments for 23 clients and non-clients in PLC shares, the Respondent contravened IDPC Rule 1400.

Engaging in an Undisclosed Outside Business Activity

[36] The evidence establishes that the Respondent engaged in an undisclosed outside business activity in connection with investors' investment in PLC shares. The Respondent entered into the Finders Agreement with PLC and earned a "finder's fee" in connection with each of the investors' investments.

[37] Rule 18.14 of the Dealer Member Rules, prior to December 31, 2021, and Section 2554 of the IDPC Rules thereafter, permitted Approved Persons to engage in an outside business activity only where the Approved Person discloses this to the Dealer Member and obtains Dealer Member's approval prior to engaging in the activity. The Respondent made no such disclosure.

[38] Even if the Respondent did no more than introduce potential investors to PLC for a "finder's fee", he engaged in an unapproved activity. As set out in a notice previously issued by CIRO (then IIROC) in 2013, an outside business activity "includes any activities conducted outside of the Dealer Member by an Approved Person, for which direct or indirect payment, compensation, consideration or other benefit is received or expected."

SANCTIONS: LAW AND ANALYSIS

[39] Pursuant to Section 8210 of the IDPC Rules, a hearing panel may impose an array of sanctions where it finds that an Approved Person has contravened CIRO's requirements. A hearing panel further has authority under Section 8214 of the IDPC Rules to order that an Approved Person pay the costs of the proceeding and the related investigation.

Staff's Submission

[40] Staff submitted that the appropriate sanctions to impose in this matter were as follows:

a. the Respondent be prohibited from registration in any capacity with CIRO for one year;

b. the Respondent disgorge the Canadian dollar equivalent of the amounts he obtained for facilitating the off-book investments, namely $74,531;

c. the Respondent pay a fine of $40,000; and

d. the Respondent pay costs of $44,567.

[41] Staff argued that:

a. As stated in the CIRO Sanction Guidelines, "[t]he purpose of sanctions in a regulatory proceeding is to protect the public interest by deterring future conduct that may harm the capital markets." To achieve this end, sanctions must be sufficient to discourage future misconduct by the Respondent (specific deterrence) and to discourage others from engaging in similar misconduct (general deterrence).

b. Accordingly, sanctions must inevitably impose a burden on those who contravene CIRO's regulations. An administrative sanction that is too low would not only fail to achieve deterrence

but could erode public confidence in the disciplinary process. An appropriate sanction will therefore strike a balance between the extent and seriousness of the misconduct, the impact the sanctions will have on the Respondent, and industry expectations.

c. The Respondent's misconduct was serious and significant in scope. The Respondent facilitated off-book investments by 5 clients and 18 other individuals, who collectively invested $752,500USD. The Respondent engaged in a concerted campaign to promote and facilitate investments in PLC shares. Hearing panels have previously identified similar misconduct as inherently deceptive and as undermining public confidence in the investment industry because it subverts Dealer Member's supervision, a fundamental protection for clients.

d. The Respondent communicated with potential investors using his Dealer Member email address, falsely suggesting that the PLC investment had the imprimatur of the Dealer Member and that he was acting under Dealer Member's supervision. The Respondent further improperly completed several investor subscription agreements. Had the subscription agreements been properly completed, the investors would not have satisfied the "accredited investor" requirements necessary to participate in the PLC private placements. Such conduct, if not intentional, was certainly reckless and could have resulted in harm to the investors and undermined confidence in the investment industry.

e. Staff was unable to determine whether the clients and other individuals that invested in PLC with the Respondent suffered any financial loss. While it appears that in 2024, PLC intended to have its security publicly listed, this appears not to have happened. The company, however, appears to be a going concern.

f. At the time the Respondent first facilitated investment in PLC, he had been a Registered Representative for less than two years. However, prior to this role, the Respondent had been a Dealing Representative for approximately three years. As a Dealing Representative, the Respondent would have also been prohibited from facilitating off-book investments.

g. The Respondent disregarded or failed to familiarize himself with the Dealer Member's policies and procedures despite completing for his Dealer Member, annual attestations to the contrary. The Dealer Member's policy concerning off-book transactions made explicit that its Approved Persons were not permitted to facilitate "[p]rivate placements arranged and transacted directly between a client and the issuer". In addition, the Respondent failed to follow the requirement that he disclose and obtain approval for all outside business activities, a procedure he was familiar with and had previously undergone for his roofing business.

h. The Respondent was told by his father, with whom the Respondent worked at the Dealer Member, that he was not to have clients invest in PLC. The Respondent disregarded this direction.

i. Until after the Panel's decision at the hearing on the merits, the Respondent failed to accept responsibility for his conduct. Until then, the Respondent did not admit any alleged facts set out in the Statement of Allegations; and in his Response to the Statement of Allegations, the Respondent denied all wrongdoing. The Respondent then failed to appear at the hearing. As held by the hearing panel in *Matthews (Re)*,[1] in similar circumstances, "[t]he refusal to accept responsibility or to acknowledge misconduct, as demonstrated by the Respondent in this case, is an aggravating factor."

j. The Respondent has not previously been the subject of a securities regulatory disciplinary proceeding.

k. Staff submitted that its costs amounted to $44,567 and that this reflected the time and resources expended by Staff in investigating and prosecuting this matter as set out in its Bill of Costs.

[1] 2015 LNIIROC 2

l. The Respondent chose to deny all of Staff's allegations, initially stated he intended to call 15 witnesses, requiring that 5 days be set aside for this matter, and delivered a witness list to Staff with 11 witnesses. Accordingly, Staff was required to prepare for this matter on the understanding that the Respondent intended to vigorously defend against Staff's allegations. The Respondent ought to be made to pay the costs thrown away on account of his decision to give the appearance that he intended to contest Staff's allegations and then ultimately not attend the hearing.

[42] Staff referred us to several comparable cases regarding the imposition of sanctions and costs awards.

[43] In Fauth (Re),[2] the Alberta Securities Commission stated:

> Costs orders are not sanctions, and do not serve the same purpose as sanction orders: *Re Marcotte*, 2011 ABASC 287 (at para. 20). Instead, they are a way for the ASC to recoup costs associated with enforcement proceedings that would otherwise have to be paid from operating funds. The panel in *Reeves* explained as follows (at para. 38; see also *Planned Legacies* at para. 86): An order for costs provides the [ASC] with a means of recovering costs incurred by the [ASC] in enforcing Alberta securities laws, which costs would otherwise be paid by law-abiding market participants whose fees fund the [ASC]'s operations. Generally, therefore, it is considered appropriate for a respondent who has been found to have contravened Alberta securities laws or acted contrary to the public interest to pay some or all of the costs incurred in the investigation and hearing of such allegations. Costs orders also provide the [ASC] with an effective means to encourage procedural efficiency in enforcement proceedings. Thus, in determining the quantum of a costs order, we consider any efficiency brought to an enforcement proceeding by a respondent.

[44] Staff submitted that in our case, the Respondent's conduct in the defence of the allegations has detracted from a straightforward and more cost-effective resolution of this matter and that he should not benefit with a discount from the reasonable costs outlined in the Bill of Costs submitted by Staff.

[45] Regarding the Respondent's regrets, apologies, and admissions in the Respondent's submission on sanctions, Staff submitted that they were late coming.

[46] Regarding the Respondent's claims of medical challenges, there was no corroborating or convincing evidence of his medical condition for us to consider.

Respondent's submission

[47] The Respondent submitted that the appropriate sanctions to be imposed in this matter were as follows:

a. the Respondent be prohibited from registration in any capacity with CIRO for six months;

b. the Respondent disgorge the Canadian dollar equivalent of amounts he obtained for facilitating off-book investments, namely $74,531 CAD;

c. the Respondent pay a fine of $15,000; and

d. the Respondent pay costs of $10,000.

[48] The Respondent argued that:

a. he deeply regretted and apologized for the regulatory transgressions which he had been found to commit;

b. he believed that he did not carry out any of these transactions with any illicit intentions;

c. none of the individuals who invested in PLC suffered any financial losses, and PLC is still a going concern. In addition, none of the individuals has initiated any proceedings against him

[2] 2019 90 at paragraph 115

or his then employer;

d. while his misconduct was not trivial, it and the transactions were strictly limited to one company (PLC) and did not extend to any other companies, investments, investors or matters. It was not a wide-spread "campaign" as Staff appears to suggest;

e. there was no harm to any clients or other individuals. None of the individuals who invested in the company suffered any financial losses and the company is still a going concern, and none of the individuals has initiated any proceedings against him or his then employer;

f. the amount that he received in cash and shares was not significant. This is particularly the case when considering the impact that this matter has had on him and his life. While Staff submits that he benefited from these transgressions, in all, he suffered and continues to suffer as a consequence of this matter;

g. although Staff submitted that he failed to accept responsibility for his conduct, this is not accurate. Upon this matter surfacing and the investigation being initiated, he immediately resigned from his position and left the industry. He looked up to and always wanted to follow in his father's footsteps. To the Respondent, resigning from his position and leaving the industry was the epitome of acknowledging his actions;

h. prior to this matter, he had never been the subject of or involved in any way with any disciplinary proceeding;

i. at the time that he became involved with these matters, he was dealing with health-related matters;

j. he was currently living in rented accommodation with financial assistance from others.

CONCLUSION

[49] In coming to our decision on liability on June 16, 2025, we accepted all of Staff's submissions as to the relevant facts of this matter, and we concurred with Staff's conclusions as to the applicable law.

[50] In coming to our decision on sanctions set out in these reasons, we took into consideration the submissions of Staff and of the Respondent, including that there were no investor losses, that no investor had initiated proceedings against the Respondent or his Dealer Member, and that there were no prior disciplinary proceedings involving the Respondent.

[51] However, we considered it was significantly improper: that the conduct in question evaded supervision by the Respondent's Dealer Member even though it appears that there is no evidence of investor losses or proceedings against the Respondent or his Dealer Member; that the Respondent knew and disregarded that his father (with whom the Respondent worked at the Dealer Member) did not want him to have clients investing in PLC; and that the Respondent's unsupervised conduct included facilitation of misuse of the accredited investor prospectus exemption on several occasions.

[52] The Respondent's claim that he did not carry out any of these transactions with any illicit intentions was not credible. Even if there was no malice aforethought, ignorance of the law and the Respondent's Dealer Member's policies and procedures would not make "not illicit" his intention to carry on conduct for profit in contravention of the law, or his Dealer Member's policies and procedures.

[53] In determining appropriate sanctions, we gave little weight to the significance of the Respondent's late admissions, apologies, and regrets, or to the fact that his off-book transactions and unauthorized outside business activity concerned the securities of only one company, namely PLC, and investors or potential investors of that one company. Furthermore, we disagreed with the Respondent's submission that the amount that he received in cash and shares was not significant. However, we considered it significant that the Respondent now acknowledges that he should disgorge the full amount of his gains from his unauthorized outside business activity.

[54] We noted that the Respondent has been out of the securities business since June 9, 2023, and has no book of business that would be impacted by a prohibition from registration. Although a prohibition from registration will be protective of the investing public, it will not have as severe a deterrent effect on him as the monetary sanctions will have on him.

[55] We recognized that the Respondent was relatively young, but that the notoriety around this matter made it unlikely that he would re-enter the securities business in the near future.

[56] We accepted as true the Respondent's statement to us that he was living with financial support from others.

[57] We concluded that in his circumstances, the total monetary impact of our sanctions and costs orders would be sufficiently significant for him.

[58] We considered CIRO's Sanction Guidelines and the parameters of the range of sanctions in comparable cases on sanctioning referred to us by Staff.

[59] We reviewed the Bill of Costs submitted to us by Staff and considered it to be reasonable. We did not agree with the Respondent's submission that he should be entitled to a discount of Staff's costs' request.

[60] However, in considering the impact on the Respondent of the total monetary burden of $109,531 that would be imposed by the general fine of $20,000, the disgorgement of $74,531, and the costs award of $15,000, in order for the total burden not to be unnecessarily excessive, we reduced the size of the general fine and the costs award (but not the disgorgement) that we were first inclined to impose.

[61] In the final analysis, we concluded that the sanctions and costs award we decided on were fair, reasonable, and appropriate, and would have a sufficient impact on the Respondent to serve as a specific deterrence to the Respondent and a general deterrence to participants in the securities industry.

DATED this 18th day of August 2025.

"Paul M. Moore"
Paul M. Moore, K.C., Chair

"David Lang"
David Lang, Industry Representative

"Natalie Coutu"
Natalie Coutu, Industry Representative