



CIRO • OCRI

Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

**IN THE MATTER OF
THE MUTUAL FUND DEALER RULES**

AND

DOMENIC JAMES CAPPOLA

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Canadian Investment Regulatory Organization (“CIRO”)ⁱ will issue a Notice of Settlement Hearing to announce a settlement hearing pursuant to Mutual Fund Dealer Rule 7.4.4 and Rules 14 and 15 of the Mutual Fund Dealer Rules of Procedure (“Rules of Procedure”) to consider whether a Hearing Panel should accept this Settlement Agreement between Enforcement Staff and Domenic James Cappola (the “Respondent”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Enforcement Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

PART III – AGREED FACTS

3. For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

Registration History

4. Between October 2017 and February 2019, the Respondent was registered in Ontario as a dealing representative with Royal Mutual Funds Inc., a Dealer Member of CIRO (formerly a Member of the MFDA).

5. Between December 2020 and January 10, 2022, the Respondent was registered in Ontario as a dealing representative with RBC Dominion Securities Inc. (“RBC Dominion”), a Dealer Member of CIRO (formerly a Dealer Member of IIROC).
6. Since January 28, 2022, the Respondent has been registered in Ontario as a dealing representative with Investors Group Financial Services Inc. (“Investors Group”), a Dealer Member of CIRO (formerly a Member of the MFDA).
7. At all material times, the Respondent conducted business in the Richmond Hill, Ontario area.

Failure to Learn Essential Facts Relative to Clients, Failure to Know the Product, and Failure to Ensure Suitability of Recommendations to Purchase Mutual Funds

The Condominium Act

8. At all material times, the Ontario *Condominium Act*, 1998, S.O. 1998, c. 19 (the “*Condominium Act*”) permitted Ontario condominium corporations to purchase only “eligible securities” in their accounts as defined in the *Condominium Act*.
9. At all material times, the *Condominium Act* defined “eligible security” as:

a bond, debenture, guaranteed investment certificate, deposit receipt, deposit note, certificate of deposit, term deposit or other similar instrument that,
 - (a) is issued or guaranteed by the government of Canada or the government of any province of Canada,
 - (b) is issued by an institution located in Ontario insured by the Canada Deposit Insurance Corporation or the Financial Services Regulatory Authority of Ontario, or
 - (c) is a security of a prescribed class.

The Condo Corporations

10. As described above, until January 10, 2022, the Respondent was registered with RBC Dominion.
11. While the Respondent was registered with RBC Dominion, the Respondent and another dealing representative of RBC Dominion serviced the accounts of Condo Corporation #1,

Condo Corporation #2, and Condo Corporation #3 (collectively, the “Condo Corporations”).¹

12. The Respondent states that while he was registered with RBC Dominion, the primary dealing representative who made investment recommendations to the Condo Corporations was the other dealing representative with whom he serviced their accounts at RBC Dominion.
13. The Condo Corporations were subject to the provisions of the Ontario *Condominium Act*, including the provision to only purchase “eligible securities” in their accounts as described above.
14. In or about January 2022, the representatives of the Condo Corporations became aware that the Respondent intended to transfer his registration from RBC Dominion to Investors Group. The representatives of the Condo Corporations agreed that after the Respondent transferred his registration to Investors Group, the Condo Corporations would transfer their accounts from RBC Dominion to Investors Group to be serviced by the Respondent.
15. On January 28, 2022, the Respondent became registered with Investors Group.
16. As described in the table below, between February and May 2022, the Respondent processed or arranged for the opening of new accounts for the Condo Corporations at Investors Group as set out in the table below. The Respondent was the Approved Person responsible for servicing the accounts.

Client	Date of Account Opening
Condo Corporation #1	Feb. 7, 2022
Condo Corporation #2	Feb. 19, 2022
Condo Corporation #3	May 9, 2022

17. In or about February 2022, a representative or representatives of the Condo Corporations requested that the Respondent recommend a bond or “bond product” that the Condo Corporations could purchase in their accounts at Investors Group.

¹ The Condo Corporations had overlapping signing officers and directors. One such individual was a signing officer for all three Condo Corporations.

18. The Respondent then recommended that the Condo Corporations purchase two mutual funds (the “Mutual Funds”) in their accounts. One of the Mutual Funds invested primarily in Canadian fixed income, and the other Mutual Fund invested primarily in floating rate debt obligations and floating rate debt instruments of issuers located anywhere in the world.
19. The Respondent failed to explain to the representatives of the Condo Corporations that the Mutual Funds were not bonds or “bond products”.
20. The Respondent states that he wrongly believed that the Mutual Funds could be classified as a “bond product”.
21. The Respondent failed to take steps to understand:
 - (a) that the Mutual Funds were not “bond products”; and
 - (b) the structure, features, and risks of the Mutual Funds.
22. Based on the Respondent’s recommendation, between March and October 2022, the Condo Corporations purchased the Mutual Funds in their accounts at Investors Group in the total amount of \$4,800,231.12. The purchases are summarized in the tables below. The Respondent processed all of the purchases.

Condo Corporation #1

Date	Amount
March 15, 2022	\$645,000
March 29, 2022	\$1,200,384.53
Aug. 16, 2022	\$502,113.33
Oct. 3, 2022	\$100,653.56
Oct. 7, 2022	\$99,274.29
TOTAL	\$2,547,425.71

Condo Corporation #2

Date	Amount
March 24, 2022	\$1,000,000
Aug. 18, 2022	\$108,437.74
Sept. 2, 2022	\$2,876.55
Sept. 28, 2022	\$3,000.90
Oct. 7, 2022	\$199,159.13

TOTAL	\$1,313,474.32
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Condo Corporation #3

Date	Amount
May 12, 2022	\$500,000
May 17, 2022	\$430,000
Sept. 2, 2022	\$6,670.89
Sept. 28, 2022	\$2,660.20
TOTAL	\$939,331.09

23. With regard to the purchases made by Condo Corporation #2 on March 24, 2022 totaling \$1,000,000 as described above (the “May 24, 2022 Purchases”), the Respondent was initially unable to complete the purchases because they had been flagged by Investors Group’s system as not being consistent with the Know-Your-Client (“KYC”) information that the Respondent had recorded for Condo Corporation #2 when opening its account.
24. Specifically, the Respondent had recorded that Condo Corporation #2’s risk tolerance was “very low” and that its investment portfolio profile was “very conservative”, which Investors Group regarded as being consistent with the purchase of investments that (unlike the Mutual Funds) could not decline in value.
25. The Respondent then contacted the representative of Condo Corporation #2 and explained that in order to process the May 24, 2022 Purchases, Condo Corporation #2 would need to update its risk tolerance to “low” and its investment portfolio profile to “conservative”, in order to match the KYC information that was recorded for Condo Corporation #1.
26. With the agreement of the representative of Condo Corporation #2, the Respondent then updated Condo Corporation #2’s risk tolerance and investment portfolio profile to “low” and “conservative”, respectively, and processed the May 24, 2022 Purchases.
27. The Respondent ought to have known that pursuant to the *Condominium Act*, the Condo Corporations could only invest in eligible securities, which did not include the Mutual Funds.
28. The Respondent failed to discuss with the representatives of the Condo Corporations whether, pursuant to the *Condominium Act* or otherwise, the Condo Corporations were in any way restricted from purchasing the Mutual Funds.

29. The Respondent also failed to explain to the representatives of the Condo Corporations that the Mutual Funds were subject to the risk of market loss and could therefore decline in value.
30. By virtue of the foregoing, the Respondent:
- (a) failed to learn the essential facts relative to the Condo Corporations, and in particular that pursuant to the *Condominium Act*, the Condo Corporations could only invest in eligible securities, which did not include the Mutual Funds;
 - (b) failed to take steps to understand the structure, features, and risks of the Mutual Funds that he recommended to the Condo Corporations; and
 - (c) failed to ensure that the purchases of the Mutual Funds that he recommended to and processed for the Condo Corporations were suitable for them.

Subsequent Events

31. In October 2022, during an annual audit of the Condo Corporations, the Condo Corporations' auditor became aware that the Condo Corporations held the Mutual Funds in their accounts.
32. The Condo Corporations' auditor then contacted a representative of the Condo Corporations and the Respondent to inform them that the Condo Corporations were prohibited from holding the Mutual Funds in their accounts pursuant to the *Condominium Act*.
33. The Respondent then reported the matter to Investors Group.
34. In November 2022, after speaking with a representative of the Condo Corporations, the Respondent:
- (a) updated the risk tolerance and investment portfolio profile for each of the Condo Corporations' accounts from "low" and "conservative" to "very low" and "very conservative", respectively; and
 - (b) redeemed the Mutual Funds from the Condo Corporations' accounts and invested the redemption proceeds in eligible securities under the *Condominium Act*.

Additional Factors

35. During the period that the Condo Corporations held the Mutual Funds in their accounts at Investors Group, they incurred a loss of \$122,665.68 on their investments in the Mutual Funds.
36. Investors Group offered compensation to the Condo Corporations totaling \$168,406.96. Of this amount, \$122,665.68 was attributable to the investment losses described above, and \$45,741.28 was attributable to lost interest that the Condo Corporations would have earned had they invested in a high interest savings account instead of the Mutual Funds.
37. The Respondent received \$112,935.52 in commissions from the purchases of the Mutual Funds. After this matter came to light and was investigated by Investors Group, it reversed the commission amount.
38. At the time of the events described herein, the Respondent was in his late 20's.
39. The Respondent has not previously been the subject of CIRO, MFDA or IROC disciplinary proceedings.
40. By entering into the Settlement Agreement, the Respondent has saved CIRO the time, resources, and expenses associated with conducting a contested hearing of the allegations.

PART IV – CONTRAVENTIONS

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

Between March 2022 and October 2022, the Respondent:

- (a) failed to learn the essential facts relative to clients (condominium corporations), and in particular that pursuant to the *Condominium Act*, the clients could only invest in eligible securities, which did not include the mutual funds that the Respondent recommended to them, contrary to Mutual Fund Dealer Rule 2.2.1;

(b) failed to take steps to understand the structure, features, and risks of the mutual funds that he recommended to the clients, contrary to Mutual Fund Dealer Rule 2.2.5; and

(c) failed to ensure that mutual fund purchases that he recommended to and processed for the clients were suitable for them, contrary to Mutual Fund Dealer Rule 2.2.6.

PART V – TERMS OF SETTLEMENT

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

(a) Fine in the amount of \$30,000; and

(b) Costs in the amount of \$2,500.

43. The Respondent also agrees to in the future comply with Mutual Fund Dealer Rules 2.2.1, 2.2.5 and 2.2.6.

44. If this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees to pay the amounts referred to above immediately upon such acceptance, unless otherwise agreed between Enforcement Staff and the Respondent.

PART VI – STAFF COMMITMENT

45. If the Hearing Panel accepts this Settlement Agreement, Enforcement Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.

46. If the Hearing Panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Mutual Fund Dealer Rule 7 against the Respondent. These proceedings may be based on, but not limited to, the facts set out in Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

47. This Settlement Agreement is conditional on acceptance by the Hearing Panel.
48. This Settlement Agreement shall be presented to a Hearing Panel at a settlement hearing in accordance with Mutual Fund Dealer Rule 7.4.4, and Rules of Procedure 14 and 15, in addition to any other procedures that may be agreed upon between the parties.
49. Enforcement Staff and the Respondent agree that this Settlement Agreement will form all the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the Hearing Panel.
50. If the Hearing Panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules and By-law No. 1 of CIRO, and any applicable legislation to any further hearing, appeal, and review.
51. If the Hearing Panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.
52. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.
53. This Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and CIRO will post a copy of this Settlement Agreement on the CIRO website. CIRO will publish a notice and news release of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement and the Hearing Panel's written reasons for its decision to accept this Settlement Agreement.
54. If this Settlement Agreement is accepted, the Respondent agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.

55. This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the Hearing Panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 22nd day of May, 2025.

“Witness” _____

Witness

“Respondent” _____

Respondent

“Paul Blasiak” _____

Paul Blasiak
Enforcement Counsel on behalf of
Enforcement Staff of the Canadian
Investment Regulatory Organization

The Settlement Agreement is hereby accepted this 20th day of August, 2025 by the following Hearing Panel:

Per: “Peter Hambly” _____
Chair

Per: “Linda Anderson” _____
Industry Member

Per: “Peter Dymott” _____
Industry Member

ⁱ Where the rules, by-laws, and policies of the Mutual Fund Dealers Association of Canada (the “MFDA”) that were in force immediately prior to amalgamation of the Investment Industry Regulatory Organization of Canada and the MFDA have been incorporated into the Mutual Fund Dealer Rules, Enforcement Staff have referenced the relevant section of the Mutual Fund Dealer Rules.