Re Cappola

IN THE MATTER OF:

The Mutual Fund Dealer Rules

and

Domenic James Cappola

2025 CIRO 44

Canadian Investment Regulatory Organization
Hearing Panel Ontario

Heard: August 20, 2025, in Toronto, Ontario by videoconference
Decision: August 20, 2025
Reasons for Decision: August 28, 2025

Hearing Panel:
The Honorable Peter B Hambly, Chair
Linda Anderson, Industry Representative
Peter Dymott, Industry Representative

Appearances:
Paul Blasiak, Enforcement Counsel
Benson Forrest, for Domenic Cappola
Domenic James Cappola (present)

REASONS FOR DECISION ON ACCEPTANCE OF SETTLEMENT

Introduction

[1] This is a settlement hearing to determine whether to accept or reject the terms of a settlement agreement dated May 22, 2025 (the "Settlement Agreement"), which has been entered into between the Enforcement staff of the Canadian Investment Regulatory Organization ("CIRO") and Domenic James Cappola (the "Respondent"). At the conclusion of the hearing, the Panel found that the Settlement Agreement was within a reasonable range of appropriateness, having given consideration to the CIRO Sanction Guidelines and previous CIRO decisions. Accordingly, the Panel accepted the Settlement Agreement with written reasons to follow. It is attached hereto. These are our reasons.

Background

[2] Between October,2017 and February 2019, the Respondent was a Dealing Representative with Royal Mutual Funds Inc., formerly a member of the Mutual Funds Dealers of Canada ("MFDA"). Between December 2020 and January 10, 2022, the Respondent was a Dealing Representative with RBC Dominion Securities Inc. ("RBC Dominion"), formerly a member of the Canadian Investment Regulatory Organization ("IIROC"). Since January 28, 2022, the Respondent has been a Dealing Representative with Investors Group Financial Services Inc. ("Investors Group").

[3] The Ontario *Condominium Act*, 1998, S.O. 1998, c.19 (the "*Condominium Act*") permitted Ontario condominium corporations to invest only in "eligible securities". The *Condominium Act* defined "eligible securities" to include bonds. It did not include mutual funds. Between February and May 2022, the Respondent

opened new accounts for Condo Corporations #1, #2 and #3 (collectively, the "Condo Corporations") in Richmond Hill at Investors Group. The Respondent recommended that the Condo Corporations purchase two mutual funds (the "Mutual Funds"). The Respondent wrongly believed that mutual funds could be classified as bond products. The Respondent purchased the Mutual Funds for the Condo Corporations in the amount of $4,800,231.12 between March and October 2022. The Respondent was unable to complete the purchases because they conflicted with the Know Your Client information recorded for Condo Corporation #2 with Investors Group.

[4] With the agreement of a representative of Condo Corporation #2, the Respondent changed the risk tolerance for that Condo Corporation from very low to low and its investment portfolio from very conservative to conservative. An audit that was conducted for the Condo Corporations in October 2022 revealed that that the Condo Corporations held the Mutual Funds that they were prohibited from holding. With the consent of a representative of the Condo Corporations in November 2022, the Respondent updated the risk tolerance and investment portfolio of the Condo Corporations to very low and very conservative. He also redeemed the Mutual Funds from the Condo Corporations' accounts and invested the redemption proceeds in eligible securities under the *Condominium Act*.

[5] The mutual funds were redeemed at a loss of $122,665.68. Investors Group compensated the Condo Corporations in the amount of $168,406.96, which consisted of the investment loss and $45,741.28 in lost interest had they invested in a high interest savings account instead of Mutual Funds. It also reversed the commission that the Respondent had been paid in the amount of $112,935.52.

[6] The Respondent admits that:

1. between February 2022 and May 2022, he processed or arranged for the opening of new accounts for the Condo Corporations at Investors Group;
2. he failed to learn the essential facts relative to the 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;
3. he 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
4. he 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.

The Agreement

[7] The Respondent agrees to the following sanctions and costs:

(i) fine in the amount of $30,000; and

(ii) costs in the amount of $2,500.

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

Discussion

[9] On January 1, 2023, the MFDA and IIROC were consolidated into a single self-regulatory organization recognized under applicable securities legislation called the Canadian Investment Regulatory Organization ("CIRO" or the "Corporation"). CIRO adopted interim rules that, *inter alia*, incorporate the pre-amalgamation regulatory requirements contained in the by-laws, rules and policies of the MFDA and IIROC.

[10] In *Re Sterling Mutuals Inc*, a hearing panel stated the following: "... 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."[1]

[11] As set out in Enforcement Counsel's written submissions, a Dealing Representative in purchasing investments on behalf of a client must be guided by a tripart approach as follows:

(i) Due Diligence – involves a registrant engaging in due diligence to know essential facts about the clients (Know Your Client ("KYC") information) whose accounts the registrant is servicing and important information about the products (Know Your Product ("KYP") information), including the associated risks of purchasing any product that the registrant may recommend;

(ii) Applying Judgment – involves a registrant applying "sound professional judgment" to identify and recommend investment products and strategies for particular clients that are suitable for the client bearing in mind the applicable KYC and KYP information obtained during the due diligence stage of the process; and

(iii) Disclosure of Material Risks and Benefits – involves a registrant making the client aware of the material negative and positive factors involved in any investment transaction that was recommended to or discussed with the client during the second stage of the process to ensure that the client is able to make an informed decision about whether to proceed.

[12] In *Re Tachauer*[2], the respondent had been a Dealing Representative with Investors Group Financial from February 2009. He began servicing the accounts of MS in September 2007. She had limited investment knowledge and experience. She planned to renovate her house in September 2019, but the project was delayed until May 2020 at a cost of $453,369 plus taxes. She obtained a second mortgage on her house in the amount of $313,056. In February 2020, following her instructions based on his advice, the respondent invested $380,000 of her funds, which included the money from the second mortgage of her home, in mutual funds. On April 3, 2020, the client redeemed the balance of her investments in her non-registered account and TFSA resulting in a loss of $34,007.05 on the proceeds from the loan that she had invested. A hearing panel approved a settlement on June 23, 2023, in which the respondent admitted to the following violations of the By-laws, Rules or Policies of the MFDA:

Between December 2019 and February 2020, the Respondent failed to:

(a) accurately record the essential facts relative to a client when opening a new client account for the client;

(b) update a client's Know-Your-Client ("KYC") information when the Respondent became aware of material changes to the client's circumstances and investment objective;

(c) ensure that investments that he recommended that a client purchase using borrowed monies were suitable for the client, having regard to the client's KYC information; and

(d) report to the Member that a client used borrowed monies to invest.

He agreed to pay a fine in the amount of $40,000 and cost of $5,000.

[13] In *Re Hetherington*[3], the Respondent was a Dealing Representative of Royal Mutual Funds Inc. ("RMF") from July 2014 until July 26, 2022. On July 26, 2022, she resigned from RMF. She is no longer working in the industry. She admitted that:

(a) In January 2022, she failed to ensure that a leveraged investment strategy that she implemented in the joint account of RD and SD, who were a married couple, was suitable for them contrary to Mutual Fund Dealer Rules 2.2.6, 2.1.1 and 1.1.2 (as it relates to Rule 2.5.1); and

(b) Between November 2021 and July 2022, she signed their signatures on nine account forms and submitted them to RMF for processing, contrary to Mutual Fund Dealer Rule 2.1.1.

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[1] Re Sterling Mutuals Inc., 2008 LNCMFDA 16, at para. 37
[2] Re Tachauer 2024CIRO17 at para. 20
[3] Re Hetherington 2025CIRO 26 at para.10

[14] RD and SD had limited income and limited investment experience. In January 2022, they obtained a mortgage on their home in the amount of $487,500. On January 13, 2022, the Respondent processed the purchase of a Return of Capital Mutual Fund in this amount and using this money. The Respondent received compensation of $8,043.75. On October 28, 2022, RD and SD redeemed the mutual fund for $430, 546.48. It had declined in value in the amount of $43,7009 (net of redemption, fees and taxes). In August 2023, RD and SD fully repaid the mortgage loan in the amount of $488, 578.88. They suffered a loss of $58, 032.40, which was paid by a bank associated with RMF.

[15] On January 29, 2025 a hearing panel approved a settlement in that case, which prohibited the respondent from conducting securities related business for 18 months, required her to pay a fine of $30,000 and costs of $5,000.

Conclusion

[16] The Respondent failed all 3 branches of the tripart approach set out in paragraph 11 that he was required to follow. He did not do the necessary research to learn that the *Condominium Act* prohibited the Condo Corporations from holding mutual funds. He was not, therefore, in a position to exercise sound professional judgment in recommending the product to his clients or to disclose the material risks and benefits associated with the product.

[17] Given prior decisions on similar facts, the Settlement Agreement is within a reasonable range of appropriateness. We confirm the settlement.

DATED at Toronto, Ontario this 28th day of August 2025.

"Peter B. Hambly"

The Honorable Peter B. Hambly, Chair

"Linda Anderson"

Linda Anderson, Industry Representative

"Peter Dymott"

Peter Dymott, Industry Representative

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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**

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 IIROC 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.