Re Alaimo

IN THE MATTER OF:

The Mutual Fund Dealer Rules

and

Calogero (Charlie) Alaimo

2026 CIRO 12

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: March 17, 2026, in Toronto, Ontario (by videoconference)
Decision: April 16, 2026

Hearing Panel:
Christopher Portner, Chair, Richard E. Austin, and Michael Coulter

Appearances:
Alan Melamud, Senior Enforcement Counsel
Calogero (Charlie) Alaimo (present)

REASONS FOR DECISION ON SANCTIONS

BACKGROUND

[1] On January 12, 2026, the Panel issued its Reasons for Decision on the Merits in this matter[1]. The Panel found that:

a. the Respondent recommended and implemented an investment strategy for the accounts of client SB (**SB**) that entailed the investment of most of the proceeds from the sale of her former house in a mutual fund investment and financing the purchase a new smaller house using part of the sales proceeds as a down payment and a mortgage;

b. the investment strategy constituted a leveraged investment that the Respondent failed to ensure was suitable by virtue of the Know-Your Client (**KYC**) requirements relating to SB who was a vulnerable client;

c. the Respondent never considered that the investment strategy constituted a leveraged transaction and failed to comply with his employer, Royal Mutual Funds Inc.'s, suitability requirements and the KYC requirements of MFDA Rule 2.2.1;

d. the Respondent failed to fully apprise SB of the risks entailed in using her investment returns to meet her monthly mortgage payments and, given the minimal household income of SB and her husband, a decline in the value of the mutual fund would mean that she would have to partially redeem her investment to avoid a financial crisis. We agreed with Staff's submissions that SB lacked the requisite investment knowledge, risk tolerance and financial resources necessary to engage in leveraged investing; and

e. the Respondent's failure to adequately explain the material risks and features of the leveraged

[1] Re Alaimo 2026 CIRO 4

investment strategy including, among other things, how borrowing to invest could amplify losses and the risks that the mutual fund investment in which she was invested might not generate sufficient returns for SB to make her mortgage payments, in fact proved to be the case following a reduction in her investment returns.

[2] The Panel rejected the Respondent's submissions that:

a. the investment strategy was suitable for SB and that she understood the risks that it entailed;

b. the transaction was structured based on SB's circumstances and that SB had a long-term horizon which the evidence established was not the case;

c. SB suffered no loss as the Respondent's employer, Royal Mutual Funds Inc., compensated her for her losses and the Royal Bank of Canada allowed her to repay her mortgage without penalty after she fully redeemed her investment in the mutual fund.

[3] The Panel convened a Sanctions Hearing on March 17, 2026 to receive the oral submissions of the parties having already reviewed their written submissions and the Affidavit of the Respondent which was affirmed at the Hearing. The Respondent also filed a number of written materials including:

a. TFSA statement showing a closing balance of $12,306.77

b. an RRSP Statement showing a closing balance of $29.07;

c. Mortgage Statement showing a balance owing of $917,764.24;

d. Municipal Tax Statement for $2,281.17;

e. Notice of Assessment from the Canada Revenue Agency for 2024 showing net income of $42,984; and

f. bank statements showing his monthly car loan expense and car insurance premium.

PROPOSED SANCTIONS

[4] Staff submits that the appropriate sanctions to impose are:

a. the Respondent be prohibited from conducting securities-related business in any capacity while in the employ of or associated with any Dealer Member of CIRO for a period of 18 months from the date of the Panel's order pursuant to Mutual Fund Dealer Rule 7.4.1.1(e);

b. the Respondent pay a fine in the amount of $44,314 pursuant to Mutual Fund Dealer Rule 7.4.1.1(b) comprised of (i) an amount sufficient to disgorge $14,314, being the amount the Respondent obtained from his contravention of the MFDA Rules, and (ii) a fine of $30,000; and

c. the Respondent pay costs in the amount of $20,000 pursuant to Mutual Fund Dealer Rule 7.4.2.

SUBMISSIONS BY STAFF

[5] The primary goal of securities regulation is the protection of investors and fostering public confidence in the capital markets and the securities industry. Disciplinary sanctions imposed in a securities regulatory context are intended to restrain future misconduct in furtherance of these goals.[2]

[6] Sanctions imposed by a hearing panel should therefore be protective and preventative to prevent likely future harm to the markets. To achieve deterrence, 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. As stated by the Alberta Securities Commission in *Fauth (Re)*:

> However, we also agree with the reasoning of the panel in *Homerun*, which observed that ". . . a monetary sanction almost inevitably involves . . . a burden on a respondent. This does not in itself

[2] *Pezim v. British Columbia (Superintendent of Brokers)*, [1994] 2 S.C.R. 557 at para. 59; *Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)*, 2001 SCC 37 at para. 42; *Re Tonnies* MFDA 200503 2005 LNCMFDA 7 at para. 45.

demonstrate disproportion or unreasonableness in the *Walton* sense; an order with no real effect on the recipient may be no sanction at all" (at para. 18). Balancing is involved so that general deterrence is not over-emphasized and individual circumstances are not overlooked, but the administrative penalty should still be sufficient to have a deterrent effect (*Guindon v. Canada*, 2015 SCC 41 at paras. 77, 80). We agree with Staff's submission that an administrative penalty that is too low - especially in cases like this one, involving the most serious sort of capital-market misconduct - could erode public confidence.

[7] To determine whether a sanction is appropriate, the Panel should consider:

a. the protection of the investing public;

b. the integrity of the securities markets;

c. specific and general deterrence;

d. the protection of CIRO's membership; and

e. the protection of the integrity of CIRO's enforcement processes.

[8] Hearing panels have also previously considered the following factors when determining whether a sanction is appropriate[3]:

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 recognizes 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 the 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.

[9] The Panel should also have reference to CIRO's Sanction Guidelines (the **Sanction Guidelines**). The Sanction Guidelines are not mandatory or binding on the Panel but provide a summary of the key factors on which discretion can be exercised consistently and fairly.

[10] As stated by the hearing panel in Re Hetherington, "[a]n Approved Person's suitability obligations are essential to protecting the public, and any failure to comply with these obligations is a serious matter." As also held in that decision, those obligations take on particular significance when the strategy recommended by an Approved Person involves leverage, which carries unique and heightened risks that can magnify losses.[4]

[11] The misconduct is made all the more serious by the fact that the Respondent failed to satisfy each of the four stages of the suitability obligation. As found by the Panel, the Respondent failed to know his client, he failed to understand that his recommendation constituted a leveraged investment recommendation, he failed to

[3] *Re Tonnies, supra* note 2, at para. 48; *Re Breckenridge* MFDA 200718 LNCMFDA 38 at para. 77

[4] *Re Hetherington* 2025 CIRO 26 at paras. 25, 26; Re Tachauer 2024 CIRO 17 at para. 33; Re Mohammed MFDA 202248 at para. 10.

apply judgment to ensure his recommendation was suitable (which the Panel found it was not even if it was not a leveraged strategy), and he failed to adequately explain the risks of the strategy to his client[5].

[12] At the time of the misconduct, the Respondent had been registered for more than 20 years. The suitability obligation has been described as the "Cardinal Rule" and is a cornerstone obligation of an Approved Person's dealings with clients. An Approved Person with the Respondent's experience ought to have had the knowledge and skill to appropriately satisfy his KYC obligations[6].

[13] The Respondent cannot rely on the atypical nature of his recommendation as a mitigating factor. The Panel's findings did not depend on the characterization of the Respondent's recommendation as a leveraged investment. As held by the Panel:

> Even if the investment strategy was not a leveraged transaction, the Respondent failed in his fundamental obligations to know his client and ensure that his recommendation was within the bounds of good business practice and suitable for SB based on the essential facts relating to her.[7]

[14] In connection with the recommendation and implementation of the unsuitable investment strategy for SB, the Respondent earned commissions of $18,309.62. Following the discovery of the misconduct, the Dealer Member imposed a penalty of $3,994.94 on the Respondent's variable compensation. Accordingly, the Respondent benefitted in the amount of $14,314.68.

[15] SB suffered a total loss of $87,991.17, comprised of both investment losses and interest payments on her mortgage. The losses were fully compensated by the Dealer Member. The Dealer Member's compensation, however, in no way diminish the loss as an aggravating factor arising from the Respondent's misconduct. [8]

[16] Deterrence is intended to capture both specific deterrence of the wrongdoer as well as general deterrence of other participants in the capital markets to protect investors. As stated by the Supreme Court of Canada in *Re Cartaway Resources Corp.*:

> 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 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.[9]

SUBMISSIONS BY THE RESPONDENT

[17] The Respondent accepts the Panel's findings in full and does not seek to re-litigate liability. His respectful submissions address only the appropriate sanction having regard to the Sanction Guidelines.

[18] The objectives of investor protection, market integrity, specific deterrence and general deterrence have been fully achieved through the significant and enduring consequences that have flowed from this matter and no additional penalty is necessary or appropriate.

[19] Sanctions in regulatory proceedings are preventative, not punitive. Their purpose is to protect the public interest, deter future misconduct and promote confidence in the capital markets. Sanctions must be proportionate to the seriousness of the misconduct, consistent with sanctions imposed in similar circumstances and responsive to the particular facts of the case.

[20] Hearing panels retain discretion to consider mitigating factors, actual harm, prior discipline, and a representative's ability to pay, and may impose reduced or no monetary sanctions where the objectives of sanctioning have already been met.

---

[5] *Re Alaimo supra* note 1 at paras. 125-126, 130.
[6] *Re Lamoureux ASCD 201625* at paras. 57-65, 83-84; *Re Gordon MFDA* 201849 at para. 15; *Re Tachauer, supra* note 5, at para. 33.
[7] *Re Alaimo supra* note 1, at para. 126.
[8] *Re Alaimo, supra* note 1, at para. 129.
[9] *Re Cartaway Resources Corp.*, [2004] 1 S.C.R. 672, 2004 SCC 26 at para. 61.

[21] The misconduct involved a single client and a discrete investment strategy. The Panel made no findings of fraud, dishonesty, misappropriation or intentional deception on his part. The Panel also made no finding that the Respondent engaged in a pattern of misconduct, nor that the conduct extended across multiple clients or over an extended period of time.

[22] Importantly, the affected client suffered no net financial loss and was made whole by the Dealer Member, and no investor harm remains. There was no lasting impact on market integrity and there is no evidence of reputational harm to the broader marketplace.

[23] While the Panel identified regulatory deficiencies, the misconduct falls toward the lower end of the sanctioning spectrum when assessed against the factors set out in Part II of the Sanction Guidelines.

[24] The Respondent derived approximately $17,000 in gross commissions from the transaction, however, as a result of internal discipline imposed by his former employer, his commissions were reduced resulting in an approximate $4,000 financial penalty already imposed prior to CIRO's proceeding.

[25] The Respondent retains no ongoing financial benefit from the misconduct. In these circumstances, further disgorgement would not advance the objectives of deterrence and would be inconsistent with Sanction Principle No. 2.

[26] As a consequence of the events giving rise to this proceeding (i) the Respondent was terminated from his employment in October 2023; (ii) his termination occurred in close proximity to the commencement of this regulatory proceeding; and (iii) he has been unable to secure further employment in the securities industry.

[27] Due to the length of this proceeding, the absence of an active client book, and the reputational impact of a public disciplinary process, re-entry into the securities industry is no longer realistic. His 20+ year career in financial services has effectively ended and this outcome alone constitutes a severe and enduring form of specific deterrence.

[28] CIRO panels have recognized that loss of livelihood, professional standing and reputation are relevant considerations when assessing the proportionality of sanctions.

SANCTIONS

Submissions by Staff

[29] The comparator sanctions proposed by Staff relate to three settlement cases. The first was *Re Hetherington* in which the clients themselves raised the idea of using $487,500 borrowed against their home to invest. The clients suffered a loss of $58,032 which was absorbed by the bank affiliated with the Dealer Member. The Respondent received $8,043 in commissions. The Respondent failed to ensure that a leveraged investment strategy implemented in the joint account for the clients was suitable, contrary to Mutual Fund Dealer Rules 2.2.6, 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1). The Respondent signed the signature of two clients on nine account forms and submitted them to the Dealer Member for processing, contrary to Mutual Fund Dealer Rule 2.1.1. The sanctions imposed were an 18-month prohibition, a $30,000 fine and $5,000 in costs.

[30] The second case was *Re Tachauer* in which the client borrowed $313,056 against her home for the purpose of a renovation, but wished to invest $380,000 (which included the borrowed money) for the short-term. The client suffered a loss of $34,007, which was reimbursed by the Dealer Member's insurer. The Approved Person paid the deductible applicable to the insurance policy.

[31] The Respondent, who received $2,849 in commissions, failed to use due diligence to learn and accurately record the essential facts relative to a client, contrary to MFDA Rules 2.2.1, 2.1.1, and 1.12 (as it relates to MFDA Rule 2.5.1), failed to use due diligence to ensure that investments that he recommended a client purchase using borrowed monies were suitable for the client, having regard to the client's KYC information, contrary to the Member's policies and procedures and MFDA Rules 2.2.1, 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1). The Respondent also failed to report to the Member that a client used borrowed monies to invest, contrary to MFDA Rules 2.1.1, 2.2.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1). The sanctions imposed were a $40,000 fine and $5,000 in costs.

[32] The third case was *Re Mohammed* in which the Respondent recommended that the clients RM and LM

borrow monies from the cash values of their life insurance policies and that LM use the proceeds to purchase a mutual fund, which was subject to a 7-year deferred sales charge, without using due diligence to ensure that the recommendation was suitable for the clients, contrary to MFDA Rules 2.2.1 and 2.1.1. The clients borrowed $30,000 and were forced to cancel their life insurance policies because they could not afford to pay the interest charges on the amounts they had borrowed. Interest costs and the deferred sales charges incurred by clients were partially offset by the increase in market value of the mutual fund held by the clients and certain tax deductions that were available.

[33] The Respondent, who was 77 years old, earned a commission of $1,018, which was clawed back by the Dealer Member. The Respondent failed to use due diligence to learn the essential facts relative to the clients and accurately record the essential facts on KYC information forms, contrary to MFDA Rules 2.2.1 and 2.1.1. The sanctions imposed were an 18-month prohibition, a $15,000 fine and $5,000 in costs.

[34] In their submissions, Staff acknowledge that the three comparator precedents on which they rely are all settlements. However, they assert that, as has been repeatedly recognized by hearing panels, the use of such cases as precedents should be approached with caution in contested hearings, as settlements often result in less onerous penalties.

[35] In addition, in both *Re Hetherington* and *Re Tachauer*, the clients were not vulnerable and the idea to borrow to invest came from the clients themselves. While the clients in *Re Mohammed* were vulnerable, the amount borrowed was substantially less than the amount borrowed by SB. Finally, the losses suffered by the clients in all three precedents was less than in this matter.

[36] Given the misconduct at issue and the surrounding circumstances, the proposed sanction is appropriate and satisfies the aims of specific and general deterrence. An 18-month prohibition is appropriate given that the Respondent failed to satisfy a fundamental obligation of a registrant, which resulted in harm to a vulnerable client. The length of the prohibition is also consistent with the precedents cited.

[37] A fine commensurate with the seriousness of the Respondent's misconduct and the aggravating factors described above is also warranted. First, the fine ought to be an amount that at least disgorges the commissions the Respondent retained by making and implementing his unsuitable investment recommendation, which total $14,314. Indeed, as stated by the Ontario Securities Commission in *Re Mutual Fund Dealers Assn.*:

> Disgorgement is an important tool to advance the remedial and protective aims of securities regulation and to ensure that specific and general deterrence of misconduct is achieved. The disgorgement remedy is intended to deprive a wrongdoer of gains obtained through misconduct and thereby remove the incentive to engage in similar future non-compliance with securities regulation.
>
> In addition, disgorgement serves the important public interest of maintaining public confidence in the capital markets and securities regulation, by making it clear that contravening securities regulations does not pay.[10]

[38] Second, an amount in addition to disgorgement is further required to ensure that the fine serves as a true deterrent by imposing a cost on the Respondent on account of the misconduct. The principle was well described by the Ontario Securities Commission in *Re Northern Securities:*

> Imposing that fine, in addition to disgorgement, is necessary as a matter of general deterrence. There may be significant financial benefits that can be obtained as a result of a contravention of IIROC Rules. As a general principle, no registrant should be able to profit from the breach of IIROC Rules. It is not sufficient deterrence simply to pay to IIROC an amount equal to the profit obtained from the misconduct. IIROC Dealer Members and Approved Persons must recognize that there will be a substantial cost to misconduct. A substantial fine, in addition to disgorgement, is appropriate in these circumstances.[11]

[39] A fine of $30,000 above the amount required to disgorge the commissions retained by the Respondent is appropriate. It reflects the seriousness of the misconduct and the aggravating factors described above, while also being consistent with industry expectations based on the precedents (recognizing the considerations

[10] *Re MFDA (Rojas Diaz)*, 2021 ONSEC 24 at paras. 30-31; Sanction Guidelines at pp. 4-5 (#2).
[11] *Re Northern Securities* 2014 LNONOSC 581 at para. 215; *Re Fauth*, *supra* note 3, at para. 97.

described above at paragraphs [34] and [35] above). The proposed fine is also sufficient to send a strong message of deterrence to both the Respondent and other participants in the mutual fund industry.[12]

[40] The Respondent does not have a *bona fide* inability to pay. As acknowledged by the Respondent, he has $125,000 in an RRSP and a further $130,000 in a LIRA, the latter of which he will have access to in a few years. In addition, the Respondent resides in a multi-million-dollar home.

[41] To the extent the Panel finds an inability to pay, as set out in the Sanction Guidelines, "[i]t should not be considered a predominant or determining factor". Indeed, in the context of disgorgement, the Alberta Securities Commission has held that inability to pay "would seem inapplicable" as it would encourage and reward wrongdoers that spent and squandered ill-gotten gains:

> It therefore does not matter that there are no funds remaining in Espoir and that Fauth is impecunious. Disgorgement may still be ordered. The panel in Magee stated (at para. 191):
>
> **We are mindful of what was said about a respondent's ability to pay in Walton . . . , but it would seem inapplicable to disgorgement orders. Indeed, it would seem perverse that disgorgement could be ordered against a respondent who has retained amounts illegally obtained, but not against a respondent who has squandered such amounts.**
>
> **We agree. A contrary approach could conceivably encourage wrongdoers to spend funds raised as soon as possible, and would in effect reward them for doing so by removing the consequent possibility that they could be held liable for those funds in the future. Obviously, that is not in the public interest.**[13] [Emphasis added.]

[42] With respect to the additional fine, the seriousness of the misconduct, the harm caused by the Respondent, and the benefit received by the Respondent militate against reducing the fine on account of inability to pay. Instead, any inability to pay found by the Panel can be addressed by giving the Respondent time to pay. As stated by the Hearing Panel in *Re Kowalsky*:

> This Hearing Panel agrees with MFDA counsel that, in order to maintain public confidence in the regulatory process, the sanction should not be reduced simply because of the Respondent's inability to pay. Sanctions should be neither too harsh nor too lenient, and should reflect all factors in order to maintain both public confidence in the regulatory process and the deterrent effect.[14]

[43] Contrary to the Respondent's argument, the Respondent's asserted loss of livelihood, professional standing, and reputation are not relevant considerations beyond their impact on the Respondent's inability to pay. As stated by the Hearing Panel in *Re Kazina*:

> In opposing the fine which Staff was seeking the Respondent pointed to: the business opportunities which he was no longer being offered because of the MFDA proceedings; the Member's suspension of his AVP payments; legal bills he incurred for a portion of these proceedings; and the amount of time he has had to devote to these proceedings which has detracted from the time he can spend earning a livelihood.
>
> The Panel finds that these personal circumstances in which the Respondent finds himself are the natural consequence of his misconduct and do not outweigh the factors which warrant the imposition of a fine which is appropriate to ensure general and specific deterrence and promote the public's confidence in the regulator's disciplinary processes.[15]

[44] Staff submits that costs of $20,000 are reasonable and are less than the costs of the full amount of time and resources expended by Staff in this matter as set out in the Bill of Costs that was introduced into evidence. Importantly, costs orders are not sanctions, but rather serve as a means of recovering costs incurred in enforcing the MFDA Rules, which would otherwise be paid by the Approved Persons and Dealer Members who are not subject to

---

[12] Sanction Guidelines at p. 4 (#1).
[13] *Re Fauth*, *supra* note 3, at paras. 84-85, 94-96.
[14] *Re Kowalsky*, *supra* note 3, at para. 32; Sanction Guidelines at p. 5(#5).
[15] *Re Kazina*, 2025 CIRO 1 at paras. 137-138, Hearing & Review Denied (November 24, 2025), Manitoba Securities Commission; *Re Pariak-Lukic*, 2015 LNONOSC 357 at paras. 71-74.

CIRO proceedings.[16]

Submissions of the Respondent

[45] The Respondent, who is not represented, understands the objectives and purpose of sanctions which are summarized in Staff's submission in paragraph [17] above. He also understands that hearing panels retain discretion to consider mitigating factors, actual harm, prior discipline, and a respondent's ability to pay, and may impose reduced or no monetary sanctions where the objectives of sanctioning have already been met.

[46] Sanction Principal No. 5 recognizes that a respondent's ability to pay is a relevant consideration when imposing monetary sanctions. Since October 2023, the Respondent has been largely unemployed and has exhausted the majority of his personal savings including his non-registered savings and his Tax-Free Savings Account.

[47] The Respondent currently holds two remaining assets, an RRSP with an approximate value of $130,000 and a locked-in retirement account (**LIRA**) with an approximate value of $130,000. The LIRA is legally restricted and not accessible for current expenses. While limited withdrawals from his RRSP are technically possible, further depletion of his retirement savings would cause severe prejudice to his long-term financial security, particularly given his age, the effective end of his career in financial services and his substantially diminished earning capacity.

[48] The Respondent has explored selling his home to downsize and reduce expenses, however, due to his unemployment and current market conditions, doing so would leave him unable to qualify for a new mortgage or rental accommodation, placing him at a significant risk of homelessness. Any additional financial penalty would impose severe hardship on the Respondent and his family and would not meaningfully advance the public interest objectives of CIRO's disciplinary regime.

[49] The Respondent respectfully submits that specific deterrence has been fully achieved through (i) his termination of employment; (ii) the effective and permanent loss of his career in the securities industry; (iii) public disciplinary findings; and (iv) the significant financial and reputational harm already suffered.

[50] The Respondent further submits that general deterrence does not require further punishment in circumstances where the consequences imposed are already severe, highly visible, and disproportionate to any realistic risk of recurrence. Additional financial sanctions would be punitive rather than preventative and would risk undermining rather than enhancing confidence in the fairness and proportionality of the regulatory process. As he poses no risk to the investing public, he requests that the Panel impose no additional fine and order no disgorgement or, in the alternative, set any monetary penalty imposed at a nominal amount and permit payment over time.

ANALYSIS

Seriousness of the Misconduct

[51] As we found in our Reasons for Decision on the Merits, the Respondent failed to understand that the investment strategy that he recommended to SB constituted a leveraged investment and failed to adequately explain the risks of the strategy to his client.

[52] More importantly, we also found that, even if the investment strategy that the Respondent recommended to SB was not a leveraged transaction, the Respondent failed in his fundamental obligation to know his client and ensure that his recommendation was within the bounds of good business practice and suitable for SB based on the essential facts relating to her. SB was unwell, unemployed and retired and did not have a stable or adequate income to meet her financial needs. As we noted, SB was the very definition of a vulnerable individual.

[53] The misconduct by the Respondent was unquestionably serious. In *Re Hetherington,* as cited by Staff, the Hearing Panel stated "[a]n Approved Person's suitability obligations are essential to protecting the public, and any failure to comply with these obligations is a serious matter."[17]

[16] *Re Fauth*, *supra* note 3, at para. 115.
[17] *Supra* note 5, at paras. 25, 26.

[54] Section 2.4 of Royal Mutual Funds Inc.'s Policies and Procedures states that "Leveraging – borrowing money to buy securities - magnifies the gain or loss on the investment and therefore involves greater risk than investing with cash resources alone." And in *Re Daubney,* cited in our Reasons for Decision on the Merits, the Ontario Securities Commission stated:

> **25** Where a registrant recommends leveraging, i.e. borrowing money to invest in a recommended product, the registrant is obliged to assess whether the client's circumstances are such that they have the ability to meet debt obligations and tolerate losses under different market scenarios. Because leveraging can magnify losses, it is critical that the registrant ensures the client understands the risks of borrowing to invest, in particular the risks of using collateral, including investments made with monies borrowed, as security for loans.[18] [Emphasis added.]

[55] Staff submits that the Respondent should be prohibited from conducting securities-related business in any capacity for 18 months and pay a fine of $44,314, commensurate with the seriousness of the Respondent's misconduct, comprised of an amount sufficient to disgorge the $14,314 commission that he received, net of the amount withheld by his employer, and a fine of $30,000. In addition, Staff also propose that the Respondent pay costs in the amount of $20,000. We address each of these proposed sanctions in turn.

Prohibition

[56] Given the seriousness of the Respondent's conduct, we find that an 18-month prohibition from conducting securities-related business in any capacity reasonable even though the Respondent submits that his re-entry into the securities industry is no longer realistic. The prohibition is also consistent with the prohibitions imposed in *Re Hetherington* and *Re Mohammed* relied on by Staff.

Disgorgement

[57] With respect to the proposal relating to disgorgement, and as stated by the Ontario Securities Commission in *Mutual Fund Dealers Assn. (Re) :*

> Disgorgement is an important tool to advance the remedial and protective aims of securities regulation and to ensure that specific and general deterrence of misconduct is achieved. The disgorgement remedy is intended to deprive a wrongdoer of gains obtained through misconduct and thereby remove the incentive to engage in similar future non-compliance with securities regulation.
>
> In addition, disgorgement serves the important public interest of maintaining public confidence in the capital markets and securities regulation, by making it clear that contravening securities regulations does not pay.[19]

[58] Further, as noted in the Sanction Guidelines, *Key Factors in Determining Sanctions* include whether the respondent's misconduct was intentional, willfully blind or reckless and the extent of harm to clients or other market participants.[20] In our view, the Respondent's misconduct was clearly intentional and willfully blind to the consequences of his investment strategy to both SB and to market integrity.

[59] We find that the disgorgement of the $14,314 commission that the Respondent received, net of the amount imposed as a penalty by his employer, is appropriate and also consistent with the prohibitions imposed in *Re Hetherington* and *Re Mohammed* relied on by Staff.

Fine

[60] Although the Respondent states that he accepts the Panel's findings in our Reasons for Decision on the Merits in full and does not seek to re-litigate liability, he still does not recognize the harm that he caused. In his submissions, the Respondent continues to submit that SB suffered no net financial loss and was made whole by the Dealer Member, and no investor harm remains. Furthermore, he asserts that there was no lasting impact on market integrity and there is no evidence of reputational harm to the broader marketplace.

[61] The Respondent also submits that the consequences of his actions including the loss of his employment

---

[18] *Re Daubney* 2008 LNONOSC 338.
[19] *Supra* note 11.
[20] Sanction Guidelines, Part II, paras. 2 and 3.

and status as an investment professional have had a significant effect on his livelihood and prospects for employment and that this, in turn, has adversely affected his ability to support his children. The Respondent's lack of awareness in this regard demonstrates that there is a need for both specific and general deterrence.

[62] The Respondent made extensive submissions relating to his inability to pay monetary sanctions and provided details of his financial circumstances which demonstrate three things. First, he has experienced a significant decline in his income as demonstrated by his Notice of Assessment from the Canada Revenue Agency. Second, he has been depleting his savings while trying to find employment pending the final outcome of this proceeding. Third, he owns an interest in a valuable home, however, the well-known depressed real estate market conditions in Ontario have precluded its sale.

[63] The Respondent was examined on his Affidavit by Staff's Senior Counsel which, in the view of the Panel, demonstrated a somewhat less than robust effort to find alternative employment, again taking into account the well-known poor labour market.

[64] The Sanction Guidelines provide as follows:

> When considering specific and general deterrence in the imposition of sanctions, consideration should be given to ensuring that the sanctions are proportionate, bearing in mind the extent and seriousness of the misconduct and the impact that the sanctions will have on the respondent.....Similarly, with respect to an individual respondent, consideration may be given to a *bona fide* inability to pay when imposing a fine (see General Principle No. 5).[21]

[65] With respect to the Respondent's submission that he is unable to pay any additional financial penalty, the Sanction Guidelines provide as follows:

> **A respondent's ability to pay may be a relevant consideration when imposing a monetary sanction or costs**
>
> Inability to pay is a relevant consideration in determining the appropriate financial
>
> sanctions to be imposed on a respondent. It should not be considered a predominant or determining factor, but it may be relevant depending on the circumstances and nature of the misconduct, and consideration of other applicable factors such as general and specific deterrence and the need to ensure public confidence in the disciplinary process.
>
> The burden is on the respondent to raise the issue and provide evidence of financial hardship. Evidence of financial hardship should be in the form of sworn affidavits or declarations, along with standard or commonly accepted documents, such as tax returns, bank, and investment account statements, audited financial statements, or other externally verified financial statements. Evidence of inability to pay could result in the reduction or waiver of a fine, and/or in the imposition of an installment payment plan. In cases in which a hearing panel reduces or waives a fine based on a bona fide inability to pay, the written decision should indicate the basis for doing so.[22]

[66] The foregoing must, however, be weighed against the need for specific and general deterrence. As stated by the Hearing Panel in *Re Kazina:*

> In opposing the fine which Staff was seeking the Respondent pointed to: the business opportunities which he was no longer being offered because of the MFDA proceedings; the Member's suspension of his AVP payments; legal bills he incurred for a portion of these proceedings; and the amount of time he has had to devote to these proceedings which has detracted from the time he can spend earning a livelihood.
>
> The Panel finds that these personal circumstances in which the Respondent finds himself are the natural consequence of his misconduct and do not outweigh the factors which warrant the imposition of a fine

[21] Sanction Guidelines, Sanction Principles, para. 1.
[22] Sancton Guidelines, Sanction Principles, para. 5.

> which is appropriate to ensure general and specific deterrence and promote the public's confidence in the regulator's disciplinary processes.[23]

[67] Similarly, as stated by the Hearing Panel in *Re Kowalsky*:

> This Hearing Panel agrees with MFDA counsel that, in order to maintain public confidence in the regulatory process, the sanction should not be reduced simply because of the Respondent's inability to pay. Sanctions should be neither too harsh nor too lenient, and should reflect all factors in order to maintain both public confidence in the regulatory process and the deterrent effect.[24]

[68] The Panel finds that the fine in the amount of $30,000 proposed by Staff is appropriate to ensure general and specific deterrence and promote the public's confidence in the regulator's disciplinary processes. It is also consistent with the fine imposed in *Re Hetherington* but not the fines imposed in *Re Tachauer,* in which the fine imposed was $40,000*,* and *Re Mohammed*, in which the fine imposed was $15,000. However, in *Re Tachauer,* the respondent was permitted by the Terms of Settlement to pay $25.000 (costs and fine) on the acceptance of the Settlement Agreement and monthly payments of $3,333.33 (fine) for six months thereafter subject to acceleration if payments were not made.

[69] Staff submits that the Respondent does not have a *bona fide* inability to pay but acknowledges that, to the extent that the Panel finds an inability to pay as set out in the Sanction Guidelines, it should not be considered a predominant or determining factor. The Panel agrees that the inability to pay should not be a predominant or determining factor but views the depressed condition of both the housing and labour markets as extenuating circumstances.

[70] The Respondent has no disciplinary history. In addition, although not in any way absolving the Respondent from his misconduct, Matthew Diodati, the Manager, Investment & Retirement Planning and Branch Compliance Officer of Royal Mutual Funds Dealer Inc., made the following comment in his written report to CIRO that was placed into evidence at the Sanctions Hearing: "Additionally, LT Claudio Cioffi should have reviewed strategy when taking on the relationship with the client, as well, complete further due diligence when he saw the funds being withdrawn regularly from the account."

[71] Mindful of the Sanction Guideline set out in paragraph [64] above, that consideration should be given to ensuring that the sanctions are proportionate, bearing in mind the extent and seriousness of the misconduct and the impact that the sanctions will have on the respondent, and taking into account the disposition of *Re Tachauer*, even though it was a settlement, the Panel concludes that the Respondent should be given six months from the date of these Reasons for Decision to pay the fine in the amount of $30,000. In the event that the Respondent fails to make payment of the amount in full by such date, the full amount will become immediately due and payable. The time to pay should afford the Respondent the opportunity to find employment that might provide him with a path back to some form of employment in the financial services or a related sector following the expiry of the 18-month prohibition given his more than 20 years of experience.

Costs

[72] Staff has proposed that the Respondent pay costs in the amount of $20,000 which they submit is reasonable and less than the costs of the amount of time and resources expended by Staff in this matter as set out in their Bill of Costs. The proposed amount of $20,000 is four times the amount of the costs imposed in *Re Hetherington*, *Re Tachauer* and *Re Mohammed* which are relied upon as comparable cases by Staff.

[73] Although the Panel agrees with Staff's submission that costs are not sanctions but rather serve as a means of recovering costs incurred in enforcing MFDA Rules which would otherwise be paid by the Approved Persons and Dealer Members who are not subject to CIRO proceedings, no justification has been provided by Staff for the fourfold increase in the costs sought from the Respondent. In all of the circumstances, we find that costs in the amount of $10,000 should be ordered.

CONCLUSIONS

---

[23] *Re Kazina*, 2025 CIRO 1 at paras. 137-138, Hearing & Review Denied (November 24, 2025), Manitoba Securities Commission.; *Pariak-Lukic (Re)*, 2015 LNONOSC 357 at paras. 71-74.
[24] *Re Kowalsky*, *supra* note 3 at para. 32; Sanction Guidelines at p. 5 (#5).

[74] In light of all of the considerations set out above, we conclude that the Respondent should:

a. be prohibited from conducting securities-related business in any capacity while in the employ of or associated with any Dealer Member of CIRO for a period of 18 months from the date of this order pursuant to Mutual Fund Dealer Rule 7.4.1.1(e);

b. disgorge $14,314, being the amount the Respondent obtained from his contravention of the MFDA Rules;

c. pay a fine in the amount of $30,000 pursuant to Mutual Fund Dealer Rule 7.4.1.1(b) by no later than six months from the date of this order; and

d. pay costs to CIRO in the amount of $10,000.

DATED at Toronto, Ontario this 16th day of April 2026.

"Christopher Portner"

Christopher Portner, Chair

"Richard E. Austin"

Richard E. Austin

"Michael Coulter"

Michael Coulter