



CIRO · OCRI

Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

Notice of Hearing

File No. 202330

IN THE MATTER OF
THE MUTUAL FUND DEALER RULESⁱ
and
SANDLY ALTEON

NOTICE OF HEARING

NOTICE is hereby given that a disciplinary proceeding has been commenced by the Canadian Investment Regulatory Organization (“**CIRO**”) against Sandly Alteon (the “**Respondent**”). The first appearance will take place by videoconference before a hearing panel of the Ontario District Committee of CIRO (the “**Hearing Panel**”) on February 5, 2024, at 10:00 a.m. (Eastern) or as soon thereafter as the hearing can be held. The Hearing on the Merits will take place by videoconference at a time and venue to be announced. Members of the public who would like to attend the first appearance by videoconference as an observer should contact Hearings@ciro.ca to obtain particulars.

DATED this 24 day of November, 2023.

“Michelle Pong”

Michelle Pong
Director, District Hearing Committees,
Mutual Fund Dealer Division

Canadian Investment Regulatory Organization
121 King Street West, Suite 1000
Toronto, Ontario
M5H 3T9
Telephone: 416-945-5134
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NOTICE is further given that CIRO alleges the following violations of the Mutual Fund Dealer Rules:¹

Allegation #1: Commencing May 29, 2020, the Respondent engaged in personal financial dealings with a client, giving rise to a conflict or potential conflict of interest that the Respondent failed to disclose to the Dealer Member or otherwise address by the exercise of responsible business judgment influenced only by the best interests of the client, contrary to the Dealer Member's policies and procedures and Mutual Fund Dealer Rules 2.1.4(2), 2.1.1, and 1.1.2(b) (as it relates to Mutual Fund Dealer Rule 2.5.1) (formerly MFDA Rules 2.1.4, 2.1.1, 1.1.2, and 2.5.1).

Allegation #2: Between November 3, 2018 and December 22, 2020, the Respondent engaged in outside activities that were not disclosed to or approved by the Dealer Member, contrary to the Dealer Member's policies and procedures and Mutual Fund Dealer Rules 1.3.2, 2.1.1, and 1.1.2(b) (as it relates to Mutual Fund Dealer Rule 2.5.1) (formerly MFDA Rules 1.3.2, 2.1.1, 1.1.2, and 2.5.1).

Allegation #3: Commencing January 26, 2023, the Respondent failed to cooperate with an investigation into the Respondent's conduct by Staff of CIRO, contrary to Mutual Fund Dealer Rule 6.2.1.

¹ Staff alleges that, in respect of Allegations #1 and #2, at the time of the misconduct, the Respondent contravened MFDA Rule 2.1.4, 1.3.2, 2.1.1 and 1.1.2 (as it relates to MFDA Rule 2.5.1), which are now incorporated into Mutual Fund Dealer Rules 2.1.4(2), 1.3.2, 2.1.1, and 1.1.2(b) (as it relates to Mutual Fund Dealer Rule 2.5.1) referred to in this proceeding. On June 30, 2021 and July 7, 2022, amendments to MFDA Rules 2.1.4 and 1.1.2, respectively, came into effect. As the conduct addressed in this proceeding pre-dated the amendments to those Rules, the versions of MFDA Rules 2.1.4 and 1.1.2 that were in effect prior to those amendments are applicable to this proceeding.

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by CIRO at the hearing:

Registration History

1. The Respondent was registered in the securities industry since September 2, 2015.
2. Between June 28, 2017 and December 22, 2020, the Respondent was registered in Ontario and Quebec with Desjardins Financial Security Investments Inc. (the “**Dealer Member**”), a Dealer Member of CIRO (formerly a Member of the MFDA).
3. On December 22, 2020, the Dealer Member terminated the Respondent in connection with, among other things, the matters that are the subject of this proceeding.
4. The Respondent is not currently registered in the securities industry in any capacity.
5. At all material times, the Respondent conducted business in the Laval, Quebec area.

Allegation #1 - Conflict of Interest

6. At all material times, the Dealer Member’s policies and procedures required that its Approved Persons take reasonable measures to detect conflicts or potential conflicts of interest with clients, disclose such conflicts to the Dealer Member, and together with the Dealer Member ensure that such conflicts are addressed by the exercise of responsible business judgment influenced only by the best interests of the client.
7. At all material times, FM was the owner and sole director of NumberCo.
8. On or about May 29, 2020, the Respondent opened a non-registered account for NumberCo with the Dealer Member. At the time, FM was indebted to the Respondent in the amount of at least \$65,000 based on a series of loans the Respondent had made to FM or FM’s father, which FM had agreed to repay.

9. FM's indebtedness to the Respondent at the time when FM's company NumberCo became a client of the Dealer Member gave rise to a conflict or potential conflict of interest, which the Respondent was required to disclose to the Dealer Member, but failed to do.
10. On or about June 9, 2020, the Respondent processed two purchases of mutual funds in NumberCo's account based on FM's instructions, totaling \$55,000.
11. On or about August 5, 2020, the Respondent processed two redemptions in NumberCo's account based on FM's instructions, resulting in net proceeds of \$45,000.
12. On or about August 20, 2020, NumberCo transferred \$45,000 to Vasan & Savyan Asset Management Inc. ("**Vasan Inc.**"), a corporation owned and operated by the Respondent.
13. On or about November 20, 2020, the Respondent processed two additional redemptions in NumberCo's account based on FM's instructions, resulting in net proceeds of \$20,000.²
14. On or about November 26, 2020, NumberCo transferred \$20,000 to Vasan Inc.
15. The two payments totaling \$65,000 described above from NumberCo to Vasan Inc. were repayments of the loans the Respondent had made to FM (or FM's father).
16. The Respondent failed to disclose to the Dealer Member that she had received the payments from NumberCo described above.

² NumberCo's account had experienced a gain in the intervening period between the purchases and redemptions, resulting in redemption proceeds that exceeded the amount invested.

17. By virtue of the foregoing, the Respondent's conduct gave rise to a conflict or potential conflict of interest that the Respondent failed to disclose to the Dealer Member or otherwise address by the exercise of responsible business judgment influenced only by the best interest of the client, contrary to the Dealer Member's policies and procedures and Mutual Fund Dealer Rules 2.1.4(2), 2.1.1, and 1.1.2(b) (as it relates to Mutual Fund Dealer Rule 2.5.1).

Allegation #2 – Unapproved Outside Activities

18. At all material times, the Dealer Member's policies and procedures required that Approved Persons disclose and receive the Dealer Member's approval in writing prior to engaging in an outside activity.

19. Between November 3, 2018 and December 22, 2020, the Respondent incorporated and was a director of four companies as described below:

Company Name	Date Incorporated by the Respondent	Company's Business or Purpose
11077830 Canada Inc. (o/a Alteon Wealth Management) Changed name to Alteon Financial Services Inc. (" Alteon Financial ") on May 31, 2019	November 3, 2018	Consulting services
Vasan Inc.	May 23, 2019	Holding company for real estate
Alteon and Ingrassia Real Estate Inc. (" Alteon Real Estate ")	December 30, 2019	Property management and the purchasing and selling of real estate

Company Name	Date Incorporated by the Respondent	Company's Business or Purpose
Alteon Group Inc. (" Alteon Group ")	September 18, 2020	To obtain a franchise

20. On September 23, 2019, NumberCo paid \$7,000 to Alteon Financial for business consulting services that the Respondent provided to FM in respect of NumberCo.

21. On or about August 15, 2020, almost two years after the Respondent incorporated the business, the Respondent disclosed the existence of Alteon Financial to the Dealer Member. At that time, the Respondent informed the Dealer Member that the Respondent was selling insurance through the company, but did not disclose that Alteon Financial had provided or would be providing business consulting services, including to clients.

22. At no time did the Dealer Member provide its approval to the Respondent to engage in any consulting services through Alteon Financial or at all.

23. Further, at no time did the Respondent disclose to the Dealer Member that the Respondent:

- (a) incorporated and was the director of Vasan Inc., Alteon Real Estate, and Alteon Group; and
- (b) was or would be engaging in any of the business activities associated with these companies.

24. The Dealer Member did not provide its approval for the Respondent to incorporate or be a director of these companies, or engage in activities in respect of these companies.

25. By virtue of the foregoing, the Respondent engaged in outside activities that were not disclosed to or approved by the Dealer Member, contrary to the Dealer Member's policies and procedures and Mutual Fund Dealer Rules 1.3.2, 2.1.1, and 1.1.2(b) (as it relates to Mutual Fund Dealer Rule 2.5.1).

Allegation #3 – Failure to Cooperate

26. On December 24, 2020, Staff of the MFDA (now CIRO) (“**Staff**”) commenced an investigation into the Respondent’s conduct after receiving information that the Respondent may have engaged in personal financial dealings with a client.

27. On June 9, 2022, Staff conducted an interview with the Respondent in order to obtain answers to questions with respect to matters that were under investigation.

28. On June 14, 2022, following the interview, Staff sent a letter to the Respondent seeking additional information and documents, including documents that the Respondent had undertaken during the interview to produce to Staff. In particular, Staff sought information and documents concerning the Respondent’s personal financial dealings with FM described above and the business of Alteon Financial, including its receipt of \$7,000 from NumberCo. Staff requested that the Respondent provide a response to its outstanding requests for information and documents on or before June 23, 2022.

29. The Respondent failed to produce the information and documents that was requested in the June 14, 2022 letter to the Respondent.

30. Between June 2022 and January 2023, Staff repeatedly corresponded with the Respondent, seeking the information and documents described above. Staff also informed the Respondent that should the Respondent fail to provide a response to Staff’s request for information and documents, authorization may be sought to commence enforcement proceedings against the Respondent for failing to cooperate with Staff’s investigation.

31. To date, the Respondent has failed to provide the information and documents requested by Staff.

32. As a result of the Respondent’s failure to cooperate, Staff cannot determine the full nature and extent of the Respondent’s conduct described above.

33. By virtue of the foregoing, the Respondent failed to cooperate with Staff’s investigation, contrary to Mutual Fund Dealer Rule 6.2.1.

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that pursuant to Mutual Fund Dealer Rule 1A that any person subject to the jurisdiction of the Mutual Fund Dealers Association of Canada prior to January 1, 2023 remains subject to the jurisdiction of CIRO in respect of any action or matter that occurred while that person was subject to the jurisdiction of the Mutual Fund Dealers Association of Canada at the time of such action or matter.

NOTICE is further given that the Mutual Fund Dealer Rules provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with CIRO;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Dealer Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of the Mutual Fund Dealer Rules of CIRO;
- has engaged in any business conduct or practice which such Hearing Panel in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

(a) a reprimand;

(b) a fine not exceeding the greater of:

- (i) \$5,000,000.00 per offence; and
- (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;

- (c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- (d) revocation of the authority of such person to conduct securities related business;
- (e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Office of the Corporate Secretary, Mutual Fund Dealer Division within twenty (20) days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Canadian Investment Regulatory Organization
121 King Street West
Suite 1000
Toronto, ON M5H 3T9
Attention: Alan Melamud
Email: amelamud@mfd.ca

A **Reply** shall be **filed** by:

- (a) providing 4 copies of the **Reply** to the Office of the Corporate Secretary, Mutual Fund Dealer Division by personal delivery, mail or courier to:

Canadian Investment Regulatory Organization
121 King Street West
Suite 1000
Toronto, ON M5H 3T9
Attention: Office of the Corporate Secretary, Mutual Fund Dealer Division; or

(b) transmitting 1 electronic copy of the **Reply** to the Office of the Corporate Secretary, Mutual Fund Dealer Division by e-mail at Hearings@ciro.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by CIRO in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by CIRO in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

- (a) to **serve** and **file** a **Reply**; or
- (b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing as having been proven and may impose any of the penalties described in the Mutual Fund Dealer Rules.

End.

iM# 1101696

ⁱ On January 1, 2023, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association of Canada (the “MFDA”) were consolidated into a single self-regulatory organization recognized under applicable securities legislation that is called the Canadian Investment Regulatory Organization (referred to herein as “CIRO”). CIRO adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the “Interim Rules”). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation have been incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules. Pursuant to Mutual Fund Dealer Rule 1A and s. 14.6 of By-Law No. 1 of CIRO, contraventions of former MFDA regulatory requirements may be enforced by CIRO.