

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

**THE RULES OF THE INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA**

AND

ROLAND PAPP

NOTICE OF HEARING

TAKE NOTICE that pursuant to Part 10 of Dealer Member Rule 20 of the Investment Industry Regulatory Organization of Canada (“IIROC”), a hearing will be held before a hearing panel of IIROC (“Hearing Panel”) on September 16, 2016 at the IIROC British Columbia Room, 121 King St. West, Suite 2000, Toronto, Ontario, at 10:00, or as soon thereafter as the hearing can be heard.

TAKE FURTHER NOTICE that pursuant to Rule 6.2 of IIROC’s Dealer Member Rules of Practice and Procedure (“Rules of Practice and Procedure”), that the hearing shall be designated on the:

The Standard Track

The Complex Track

THE PURPOSE OF THE HEARING is to determine whether Roland Papp (the “Respondent”) has committed the following contraventions that are alleged by the Staff of IIROC (“Staff”):

Count 1

Between February 2005 and June 2014, the Respondent maintained brokerage accounts outside of his Dealer Member, without the knowledge or consent of his Dealer Member, contrary to IIROC Dealer Member Rule 29.1; and

Count 2

Between February 2005 and June 2014, the Respondent made untrue and misleading statements to his Dealer Member as well as to the other Dealer Members at which he maintained brokerage accounts, contrary to IIROC Dealer Member Rule 29.1.

PARTICULARS

TAKE FURTHER NOTICE that the following is a summary of the facts alleged and to be relied upon by Staff at the hearing:

A. Overview

1. The Respondent maintained multiple brokerage accounts outside of RBC Dominion Securities Inc. (“RBCDS”), his Dealer Member firm, without the knowledge or consent of RBCDS. As a result, RBCDS could not properly supervise his personal trading.
2. He also failed to disclose to the outside brokerage firms his role as a registrant in the securities industry with RBCDS, thereby preventing these firms from taking a more active role in the supervision of his personal trading.
3. During an interview with representatives of RBCDS, the Respondent made untrue and misleading statements in an attempt to conceal his misconduct.

B. Registration History

4. From July 2003 to February 2005, the Respondent was registered as an Investment Representative with a Toronto, Ontario branch of BMO Nesbitt Burns Inc., an IIROC Dealer Member.
5. From February 2005 to September 2006, the Respondent was registered as an Investment Representative with a Toronto, Ontario branch of RBCDS, an IIROC Dealer Member. From September 2006 to September 2014, the Respondent was registered as a Registered Representative with RBCDS. He has not been registered in the securities industry since that time.

C. Accounts at Interactive Brokers

6. In August 2004, the Respondent opened a margin account at Interactive Brokers Canada Inc. (“Interactive Brokers”). The Respondent’s employment status listed in the account opening documents for this account was “unemployed”.
7. In October 2013, the Respondent opened a joint account with his mother at Interactive Brokers. His employment status listed in the account opening documents for this account was “at home trader”.
8. At no time did the Respondent advise Interactive Brokers that he was employed as a registrant in the securities industry. Neither of these accounts was coded by Interactive Brokers as a “Pro” account.
9. At no time did the Respondent advise RBCDS that he had accounts at Interactive Brokers.
10. Between August 2004 and June 2014, the Respondent actively traded in each of the Interactive Brokers’ accounts. The securities traded included options, futures contracts, foreign exchange contracts as well as common shares of Canadian and US listed companies.

D. Accounts at Questrade Inc.

11. In September 2011, the Respondent opened a joint RESP account with his spouse at Questrade Inc. (“Questrade”).
12. The Respondent listed his employment status as “Employed with RBC”. In response to the question “Are you or your spouse employed or affiliated with a person who is an employee or a securities broker-dealer or a member of a stock exchange?”, the Respondent replied “No”.
13. Similarly, in response to the question “Do you have any accounts or trading authorization in any accounts with brokerages other than Questrade?”, the Respondent replied “No”.
14. In May 2012, the Respondent opened an RRSP account with Questrade. The Respondent listed his employment status as “Administrative with RBC” and again answered “No” to the questions relating to his affiliation with a securities broker-dealer and his other brokerage accounts.
15. At no time did the Respondent advise Questrade that he was employed as a registrant in the securities industry. Neither of these accounts was coded by Questrade as a “Pro” account.
16. In October 2012, the Respondent funded the Questrade RRSP account by way of a transfer from his RRSP account previously held at RBCDS.
17. At no time did the Respondent advise RBCDS that he had accounts at Questrade.
18. Between September 2011 and June 2014, the Respondent actively traded common shares of Canadian and US listed companies in each of the Questrade accounts.

19. On June 2, 2015, the Respondent attended an interview with IIROC Staff for the purposes of providing a statement and answering questions with respect to IIROC's investigation into his conduct, including his accounts held at Interactive Brokers.
20. At no point during the interview did the Respondent advise IIROC Staff that he held accounts at Questrade in addition to the accounts he held at Interactive Brokers.

E. RBCDS' Annual Employee Questionnaire

21. On an annual basis, RBCDS required its employees to complete a questionnaire. The Respondent completed this questionnaire each year. At no time did he disclose his accounts held at Interactive Brokers or at Questrade.
22. In the 2011 questionnaire, the Respondent answered "No" to the question "Do you, your spouse or any family member residing with you, operate any accounts held with RBCDS, RBC Direct Investing Inc. or any other brokerage firm?".
23. In the 2012 questionnaire, the Respondent answered "Yes" to the question "Are all your investment accounts and the accounts of any family member residing with you maintained at RBC DS?".
24. In the 2013 questionnaire, the Respondent answered "No" to the question "Do you or members of your immediate family have accounts at a firm other than RBC DS?".

F. Additional Misrepresentations to RBCDS

25. In June 2014, RBCDS commenced an investigation into certain banking transactions made by the Respondent in his personal bank account.

26. Specifically, between January 4, 2014 and June 6, 2014, the Respondent made sixteen (16) cash deposits totaling \$136,300 into his bank account. The majority of these funds were then transferred into the Respondent's Interactive Brokers account.
27. Several of the 16 deposits were just below the \$10,000 threshold which would have required additional reporting in accordance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its Regulations.
28. On June 19, 2014, the Respondent was interviewed by RBCDS Staff. During the interview, the Respondent advised that the funds used for each of these deposits were given to him by his mother-in-law. He advised that she owned a clothing business which generated cash and she provided him this cash so that he could purchase Euros on her behalf.
29. At the conclusion of the interview, the Respondent was asked to provide further evidence of the source of the funds for each of these deposits.
30. By email dated June 19, 2014, the Respondent provided a different explanation with respect to the source of funds for each of the 16 deposits, including personal savings, wedding gifts, rental payments, baptism gifts, Christmas gifts and proceeds from the sale of a car. None of these explanations included funds provided by the Respondent's mother-in-law from her business activities.
31. During his interview with IIROC Staff on June 2, 2015, the advised that the source of funds were personal savings, wedding gifts, rental payments, baptism gifts, Christmas gifts and proceeds from the sale of a car and not from his mother-in-law's business.

GENERAL PROCEDURAL MATTERS

TAKE FURTHER NOTICE that the hearing and related proceedings shall be subject to the Rules of Practice and Procedure.

TAKE FURTHER NOTICE that pursuant to Rule 13.1 of the Rules of Practice and Procedure, the Respondent is entitled to attend and be heard, be represented by counsel or an agent, call, examine and cross-examine witnesses, and make submissions to the Hearing Panel at the hearing.

RESPONSE TO NOTICE OF HEARING

TAKE FURTHER NOTICE that the Respondent must serve upon the Staff of IIROC a Response to the Notice of Hearing in accordance with Rule 7 of the Rules of Practice and Procedure within twenty (20) days (for a Standard Track disciplinary proceeding) or within thirty (30) days (for a Complex Track disciplinary proceeding) from the effective date of service of the Notice of Hearing.

FAILURE TO RESPOND OR ATTEND HEARING

TAKE FURTHER NOTICE that if the Respondent fails to serve a Response or attend the hearing, the Hearing Panel may, pursuant to Rules 7.2 and 13.5 of the Rules of Practice and Procedure:

- (a) proceed with the hearing as set out in the Notice of Hearing, without further notice to the Respondent;
- (b) accept as proven the facts and contraventions alleged by Staff in the Notice of Hearing;
and
- (c) order penalties and costs against the Respondent pursuant to Dealer Member Rules 20.33, 20.34 and 20.49.

PENALTIES & COSTS

TAKE FURTHER NOTICE that if the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by Staff in the Notice of Hearing, the Hearing Panel may, pursuant to Dealer Member Rules 20.33 and 20.34, impose any one or more of the following penalties:

Where the Respondent is/was an Approved Person:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$1,000,000 per contravention; and
 - (ii) an amount equal to three times the profit made or loss avoided by such Approved Person by reason of the contravention.
- (c) suspension of approval for any period of time and upon any conditions or terms;
- (d) terms and conditions of continued approval;
- (e) prohibition of approval in any capacity for any period of time;
- (f) termination of the rights and privileges of approval;
- (g) revocation of approval;
- (h) a permanent bar from approval with the IIROC; or
- (i) any other fit remedy or penalty.

Where the Respondent is/was a Dealer Member:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000 per contravention; and
 - (ii) an amount equal to three times the profit made or loss avoided by the Dealer Member by reason of the contravention;
- (c) suspension of the rights and privileges of the Dealer Member (and such suspension may include a direction to the Dealer Member to cease dealing with the public) for any period of time and upon any conditions or terms;
- (d) terms and conditions of continued Membership;

- (e) termination of the rights and privileges of Membership;
- (f) expulsion of the Dealer Member from membership in the IIROC; or
- (g) any other fit remedy or penalty.

TAKE FURTHER NOTICE that if the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by the Staff in the Notice of Hearing, the Hearing Panel may pursuant to Dealer Member Rule 20.49 assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances.

DATED at Toronto, Ontario this 13th day of July, 2016.

“Elsa Renzella”

ELSA RENZELLA
VICE-PRESIDENT, ENFORCEMENT
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