

**INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA**

IN THE MATTER OF:

**AN EXPEDITED HEARINGS PURSUANT TO DEALER MEMBER
RULE 20.43 OF THE INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA**

AND

PAUL DAVID AZEFF AND KORIN DAVID BOBROW

NOTICE OF APPLICATION

TAKE NOTICE that on November 17, 2015, at the Centre Mont-Royal, 2200, rue Mansfield, Montreal, QC, at 10:00 or as soon thereafter as the application can be heard, Staff of the Investment Industry Regulatory Organization of Canada (“IIROC”) will make application to a Hearing Panel for an Expedited Hearing, **WITH NOTICE**, to Paul David Azeff (“Azeff”) and Korin David Bobrow (“Bobrow”) (collectively, the “Respondents”) pursuant to Dealer Member Rules 20.41, 20.43 and 20.45 and Rule 16 of the Rules of Practice and Procedure.

THE RELIEF SOUGHT IS:

An Order granting the following relief:

1. An order pursuant to Dealer Member Rule 20.45(1)(a) and (b) suspending the Respondents’ approval with IIROC;
2. An order pursuant to Dealer Member Rule 20.45(1)(d) directing the Respondents to immediately cease dealing with the public; and

3. Such further and other relief that counsel may request and that the Hearing Panel may permit.

THE GROUNDS FOR THE APPLICATION ARE:

Registration History of the Respondents

1. The Respondents have been registered as dealing representatives under Quebec securities law and approved as Registered Representatives with Euro Pacific Canada Inc. (“Euro Pacific”), an IIROC Dealer Member, since March 2011.
2. Pursuant to decisions of the Registration Sub-Committee of Québec District Council of IIROC (the “Registration Sub-Committee”) each dated May 31, 2011, IIROC imposed terms and conditions on the Respondents’ approval as Registered Representatives. These terms and conditions imposed a number of heightened supervision obligations on Euro Pacific (the “Supervision Conditions”).
3. The Respondents have also been registered in Alberta and British Columbia since August, 2012 and in Ontario since June 2013.

Commission Proceedings

4. In November 2010, Staff of the Ontario Securities Commission (“Commission Staff”) filed a Notice of Hearing (subsequently amended) with respect to five individuals, including the Respondents.
5. On March 24, 2015, following a hearing on the merits, the Ontario Securities Commission’s (the “Commission”) issued Reasons and Decision with respect to the merits (“Merits Decision”), including findings against the Respondents.
6. Specifically, the Commission found that Azeff:

- (a) engaged in illegal insider trading when he purchased shares in Masonite International Corporation (“Masonite”) in November-December 2004;
- (b) engaged in tipping by passing on material non-public information about Masonite to Bobrow and to a client, LK, during the same time period;
- (c) acted contrary to the public interest when he recommended the purchase of Masonite shares to others with knowledge of material non-public information;
- (d) engaged in tipping by passing on material non-public information about a second reporting issuer, Dynatec Corporation (“Dynatec”), to Bobrow in April 2007;
- (e) acted contrary to the public interest by recommending the purchase of Dynatec shares to his clients with knowledge of material non-public information;
- (f) engaged in tipping by passing on material non-public information about a third reporting issuer, Legacy Hotels REIT (“Legacy”), in July 2007; and
- (g) acted contrary to the public interest by recommending the purchase of units of Legacy to his clients with knowledge of material non-public information.

7. The Commission determined that Bobrow:

- (a) engaged in illegal insider trading when he purchased Masonite shares on the basis of the material non-public information found to have been provided by Azeff;
- (b) engaged in tipping by passing on this information to a client, HF;
- (c) acted contrary to the public interest by recommending the purchase of Masonite shares to his clients with knowledge of material non-public information; and

- (d) acted contrary to the public interest by recommending the purchase of Dynatec shares and Legacy units to his clients with knowledge of material non-public information.
8. On June 17, 2015, the Commission held a hearing to determine the appropriate sanctions and costs for the Respondents.
 9. On August 24, 2015, the Commission issued its Reasons and Decision with respect to sanctions (“Sanctions Decision”).
 10. The Commission noted that “As registrants, both [Azeff and Bobrow] should have understood the prohibitions in the Act against trading on and tipping of MNPI [material non-public information]” and that “insider trading and tipping have been compared to a cancer that damages innocent investors and erodes public confidence in the capital markets”.
 11. The Commission considered that Azeff and Bobrow had been subject to strict supervision since the issuance of the Notice of Hearing, but concluded that “[c]ontinued registration for Azeff and Bobrow, even under strict supervision, does not provide a sufficient shield to the market”.
 12. Ultimately, the Commission:
 - (a) ordered the Respondents to cease trading in any securities for a period of ten years;
 - (b) prohibited them from acquiring securities for a period of ten years;
 - (c) prohibited them from becoming or acting as a registrant, an investment fund manager or a promoter for a period of ten years;
 - (d) permanently prohibited them from becoming or acting as a director or officer of a reporting issuer, registrant or investment fund manager;
 - (e) reprimanded both Respondents;

- (f) ordered Azeff to pay an administrative monetary penalty of \$750,000, to disgorge \$49,996 to the Commission, and to pay costs of \$175,000; and
- (g) ordered Bobrow to pay an administrative monetary penalty of \$300,000, to disgorge \$10,217 to the Commission, and to pay costs of \$125,000 (collectively, the “Commission Sanctions”).

13. On September 23, 2015, the Respondents filed a Notice of Appeal with the Ontario Superior Court of Justice (Divisional Court) (the “Divisional Court”) appealing both the Merits Decision and Sanctions Decision.

Divisional Court’s Dismissal of the Respondent’s Motion for a Stay of the Commission Sanctions Pending Appeal

14. On October 19, 2015, the Respondents brought a motion for a stay of the Commission Sanctions, pending the disposition of their appeal to the Divisional Court.

15. On October 21, 2015, the Divisional Court dismissed the Respondents’ motion for a stay of the Commission Sanctions.

16. The Divisional Court held that it was “not in the public interest to grant the stay which would allow [the Respondents] to conduct themselves in registerable activities”.

Euro Pacific’s Failure to Comply with the Supervision Conditions

17. As noted above in paragraph 2, the Registration Sub-Committee imposed terms and conditions on the Respondents’ approval with IIROC in May 2011. These Supervision Conditions were amended in March 2013 and March 2014.

18. The Supervision Conditions require Euro Pacific to supervise, review and pre-approve all of the Respondents’ trading in securities, including their personal trading, trading in new issues and trading in fixed income products. The Supervision

Conditions require Euro Pacific to certify, among other things, that "all client recommendations and orders, both buy and sell, have been reviewed and initialed by the CCO or the Qualified Supervisor before taking place".

19. In August 2015, the Business Conduct and Compliance Department (the "BCC Department") of IIROC conducted a regularly scheduled business conduct examination of Euro Pacific's business, including a review of Euro Pacific's Montreal business location where the Respondents are both employed.
20. The BCC Department uncovered a number of problems with the supervision of the Respondents, including a number of failures to comply with the Supervision Conditions.

The Respondent's Approval with IIROC Should be Suspended

21. Pursuant to Dealer Member Rules 20.43(a) and (b), the Respondents' registration under the Ontario Securities Act has been suspended by the Commission.
22. A suspension of the Respondents' approval with IIROC and a prohibition on dealing with the public is required given the seriousness of the misconduct found by the Commission, the Divisional Court's dismissal of the Respondents' motion for a stay and the BCC Department's findings that the Supervision Conditions are not being complied with.
23. Dealer Member Rules 20.41, 20.43 and 20.45.
24. Rule 16 of IIROC's Rules of Practice and Procedure.
25. Such further and other grounds as counsel may advise and the Hearing Panel may permit.

IIROC STAFF WILL RELY UPON THE FOLLOWING EVIDENCE:

1. The Motion Record filed with the Divisional Court;
2. Such further and other evidence as counsel may advise and the Hearing Panel may permit.

DATED at Montreal, QC, this ____ day of November, 2015.

Claudyne Bienvenu
VICE-PRESIDENT, QUEBEC
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
5 Place Ville-Marie, suite 1550
Montréal (Québec) H3B 2G2
Telephone : 514-878-2854
Fax : 514-878-3860