

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

THE DEALER MEMBER RULES OF THE
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AND

KRISHNA SAMMY

AMENDED NOTICE OF HEARING

TAKE NOTICE that pursuant to Part 10 of Dealer Member Rule 20 and Section 1.9 of Schedule C.1 to Transition Rule No.1 of the Investment Industry Regulatory Organization of Canada (“IIROC”), a hearing will be held before a hearing panel of IIROC (“Hearing Panel”) on February 24, 2015 at the IIROC British Columbia Room, 121 King Street West, Suite 2000 in Toronto, at 10:00 am, 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 Krishna Sammy (the “Respondent”) has committed the following contraventions that are alleged by the Staff of IIROC (“Staff”):

- (i) On multiple occasions between January 2009 and December 2011, the Respondent purchased or recommended the purchase of securities in client

accounts on the same day he either had sold or intended to sell the securities of these same issuers from his personal account, thereby placing him in a conflict of interest with those clients which he failed to address appropriately, contrary to Dealer Member Rules 29.1 and National Instrument 31-103.

- (ii) On multiple occasions between January 2009 and December 2011, the Respondent purchased securities in managed client accounts on the same day he either had sold or intended to sell the securities of these same issuers from his personal account:
 - a. without the written consent of his clients, contrary to Dealer Member Rule 1300.19; and
 - b. in reliance upon information as to trades made or to be made in managed accounts, contrary to Dealer Member Rule 1300.18.

- (iii) Between January 2009 and December 2011, the Respondent recommended the purchase of securities to several clients without using due diligence to ensure that:
 - a. The recommendations were suitable for the clients based on their financial situation, investment knowledge, investment objectives and risk tolerance contrary to Dealer Member Rule 1300.1(q); and/or
 - b. The recommendations were in accordance with the risk tolerance stated on clients' New Account Application Forms and within the bounds of good business practice, contrary to to Dealer Member Rules 1300.1(o) and/or (q).

PARTICULARS

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

I. OVERVIEW

1. The Respondent was a Registered Representative, Portfolio Manager and Supervisor. His clients trusted him to act in their best interests and to recommend securities that were suitable for them. Instead, the Respondent took advantage of this trust and placed his own personal interests ahead of the interests of his clients.
2. The Respondent recommended that clients purchase shares in two high risk companies. He told the clients about the potential for each of these companies and advised them that, in his view, the shares were poised to rise significantly. He also advised his clients that he had personally invested and held a significant position in these companies and his clients took comfort from this. However, at the same time that he was recommending the purchase of these shares to his clients, the Respondent, without the knowledge of his clients, was selling his own personal holdings in these companies.
3. Further, the Respondent made investment recommendations to several clients that were unsuitable for these clients based on their risk tolerance and investment objectives. The Respondent knew or ought to have known that these recommendations would cause the actual risk level of the accounts to exceed the clients' risk tolerance.

II. REGISTRATION HISTORY

4. From August 1999 until December 2011, the Respondent was registered as a Registered Representative and Supervisor with a Brampton, Ontario branch of DWM Securities Inc. (previously Dundee Securities Corporation), an IROC Dealer Member.
5. From December 2011 until November 2012, the Respondent was registered as a Registered Representative and Supervisor with a Brampton, Ontario branch of Canaccord Genuity Corp., an IROC Dealer Member. The Respondent has not been registered in the securities industry since November 2012. The Respondent had previously been registered in the securities industry in various capacities dating back to 1989.

6. In May 2005, the Respondent became registered as a Portfolio Manager. Thereafter, several of the Respondent's clients opened managed accounts ("Managed Accounts") with him. Other clients remained in non-managed accounts ("Non-Managed Accounts"). Some clients had both Managed Accounts and Non-Managed Accounts.

III. THE RESPONDENT TRADED AGAINST HIS CLIENTS

Trading in Shares of Mahdia Gold Corp.

Acquisition of Shares by the Respondent

7. In October 2009, the Respondent received 3.6 million shares of Wintercrest Resources Ltd. into his Canadian margin account at DWM. At the time, these shares were valued at \$0.10 per share.
8. In December 2009, following a corporate reorganization, Wintercrest changed its name to Mahdia Gold Corp. and each share of Wintercrest was converted into a half share of Mahdia. Following this reorganization, the Respondent held 1.8 million shares of Mahdia in his Canadian margin account at DWM, valued at \$0.20 each.
9. In November 2011, the Respondent received an additional 500,000 shares of Mahdia into his Canadian margin account at DWM. The Respondent acquired these by way of a private placement.

Purchase of Shares by Clients and Sale of Shares by the Respondent on the Same Day

10. Between December 2009 and December 2011, the Respondent began acquiring share of Mahdia for his clients in both the Managed and Non-Managed Accounts. In total, clients of the Respondent purchased over 4.1 million shares in 128 Non-Managed Accounts and an additional 4 million shares in 114 Managed Accounts. The average cost of these purchases

was \$0.32 per share, with prices ranging from \$0.125 to \$0.95 per share. These clients also sold 825,400 shares of Mahdia during this time period at an average price of \$0.20 per share.

11. Conversely, during this period, the Respondent sold over 1.8 million shares of Mahdia from his Canadian margin account. The average price for these sales was \$0.26 per share, with prices ranging from \$0.16 to \$0.79. The Respondent did not acquire any additional shares of Mahdia during this period.

12. On seven days in particular, as outlined in the table below, the Respondent sold a total of 790,000 shares of Mahdia from his Canadian margin account at an average price of \$0.33 per share. On those same days, the Respondent purchased or recommended the purchase of 748,000 shares of Mahdia to his clients at an average price of \$0.34 per share. Each of these purchases was solicited by the Respondent.

Date	Shares purchased in Managed Accounts	Average Price	Shares Purchased in Non-Managed Accounts	Average Price	Shares Sold in the Respondent's Personal Account	Average Price
November 22, 2010	230,000	\$0.18	0	n/a	140,000	\$0.18
November 25, 2010	130,000	\$0.19	0	n/a	100,000	\$0.18
June 3, 2011	9,000	\$0.79	92,000	\$0.83	30,000	\$0.79
August 2, 2011	5,000	\$0.40	25,000	\$0.40	70,000	\$0.40
August 3, 2011	0	n/a	35,000	\$0.40	200,000	\$0.39
November 14, 2011	0	n/a	105,000	\$0.40	150,000	\$0.37
December 7, 2011	20,000	\$0.34	97,000	\$0.35	100,000	\$0.34
Totals	394,000	\$0.21	354,000	\$0.50	790,000	\$0.33

13. The average daily trading volume for Mahdia on these seven days was only 370,442 shares.

14. On some of these days, the Respondent sold shares from his personal account prior to purchasing the shares in his client accounts. On other days, the Respondent sold his shares after the purchases in the client accounts.
15. By soliciting the purchase of Mahdia shares by his clients in the Managed and Non-Managed Accounts when he knew or ought to have known that he would be selling or had recently sold his personal holdings of Mahdia, the Respondent placed himself in a conflict of interest with his clients, which he failed to address appropriately.
16. At the time that the Respondent sold his personal shares in Mahdia, he knew or ought to have known that he would be soliciting the purchase of Mahdia shares by his clients in their Managed Accounts.
17. The Respondent did not obtain written consent from the clients acknowledging that they understood that he was selling his personal shares in Mahdia while purchasing shares of Mahdia in their Managed Accounts.

Trading in Shares of Northcore Technologies Inc.

Acquisition of Shares by the Respondent

18. By January 2009, the Respondent held over 1.4 million shares of Northcore Technologies Inc. in his Canadian margin account at DWM. At the time, these shares were valued at \$0.20 per share.
19. On December 21, 2009, the Respondent received an additional 166,667 shares of Northcore into his Canadian margin account at DWM. On October 5, 2010, the Respondent received a further 2.5 million shares of Northcore into this account, which were acquired through a private placement.

Purchase of Shares by Clients and Sale of Shares by the Respondent on the Same Day

20. Between January 2009 and December 2011, the Respondent purchased shares of Northcore for his clients in both the Managed and Non-Managed Accounts. In total, clients of the Respondent purchased over 15.8 million shares in 291 Non-Managed Accounts and an additional 7.6 shares million in 126 Managed Accounts. The average cost of these purchases was \$0.23 per share, with prices ranging from \$0.085 to \$0.39 per share. These clients also sold 12.8 million shares of Northcore during this time period at an average price of \$0.22 per share.

21. Conversely, during this period, the Respondent sold over 1.3 million shares of Northcore from his Canadian margin account. The average price for these sales was \$0.21 per share, with prices ranging from \$0.15 - \$0.25. The Respondent did not purchase any shares of Northcore on the market during this period.

22. On nine days in particular, as outlined in the table below, the Respondent sold a total of 766,000 shares of Northcore from his Canadian margin account at an average price of \$0.21. On some of those days, he also sold or recommended the sale of 367,553 Northcore shares in client accounts at an average price of \$0.20. On those same days, the Respondent purchased or recommended the purchase of 465,500 shares of Northcore to his clients at an average price of \$0.22 per share. Each of these purchases was solicited by the Respondent.

Date	Shares purchased in Managed Accounts	Average Price	Shares Purchased in Non-Managed Accounts	Average Price	Shares Sold in the Respondent's Personal Account	Average Price
January 5, 2009	0	n/a	27,000	\$0.15	100,000	\$0.15
May 29, 2009	0	n/a	24,000	\$0.20	54,000	\$0.19
June 5, 2009	0	n/a	21,000	\$0.23	71,000	\$0.22
October 1, 2009	0	n/a	146,000	\$0.25	100,000	\$0.25
December 21, 2009	29,500	\$0.20	125,000	\$0.20	130,000	\$0.21

December 29, 2009	13,000	\$0.23	34,000	\$0.23	136,000	\$0.22
January 7, 2010	3,000	\$0.20	0	n/a	50,000	\$0.21
June 16, 2010	20,000	\$0.23	22,000	\$0.23	50,000	\$0.23
July 12, 2010	500	\$0.20	0	n/a	75,000	\$0.20
Totals	66,000	\$0.21	399,500	\$0.22	766,000	\$0.21

23. The average daily trading volume for Northcore on these nine days was only 324,771 shares.

24. On some of these days, the Respondent sold shares from his personal account prior to purchasing the shares in his client accounts. On other days, the Respondent sold his shares after the purchases in the client accounts.

25. By soliciting the purchase of Northcore shares by his clients in the Managed and Non-Managed Accounts when he knew or ought to have known that he would be selling or had recently sold his personal holdings of Northcore, the Respondent placed himself in a conflict of interest with his clients, which he failed to address appropriately.

26. At the time that the Respondent sold his personal shares in Northcore, he knew or ought to have known that he would be soliciting the purchase of Northcore for his clients in their Managed Accounts.

27. The Respondent did not obtain written consent from the clients acknowledging that they understood that he was selling his personal shares in Northcore while purchasing shares of Northcore in their Managed Accounts.

IV. THE RESPONDENT RECOMMENDED UNSUITABLE INVESTMENTS

28. The following individuals were clients of the Respondent:

- JP;
- WB;

- SM and RM;
- NA; and
- CM (collectively, the “Clients”).

29. The Respondent made similar investment recommendations to each of the Clients which resulted in the risks associated with the securities in their accounts significantly exceeding their risk tolerance as outlined in their New Account Application Form (“NAAF”).

30. In addition to being invested in high risk securities, the Clients were also highly concentrated in a small number of individual holdings. These included Mahdia Gold and Northcore, as well as Petroworth Resources Inc., Intertainment Media Inc. and Biosign Technologies Inc. (collectively, the “Issuers”).

31. The securities of the Issuers were all high risk and speculative investments and were considered as such by the Respondent and his Dealer Member.

32. In the case of JP:

- (i) JP opened an RRSP account with the Respondent in 2002, shortly after her spouse had passed away. This was a Non-Managed Account;
- (ii) At the time, JP was 53 years old and was employed as a teacher;
- (iii) JP had an annual income of approximately \$60,000, net liquid assets of \$500,000 and net fixed assets of \$250,000;
- (iv) Her investment knowledge was recorded on the NAAF as “Limited”; her risk tolerance level was recorded as 80% “Medium” and 20% “High” and her investment objectives were recorded as 80% “Long-Term Capital Appreciation” and 20% “Short-Term Capital Appreciation/Speculative Trading”;
- (v) In March 2003, her recorded risk tolerance was increased to 50% “Medium” and 50% “High” and her investment objectives were changed to 50% “Long-Term Capital Appreciation” and 50% “Short-Term Capital Appreciation/Speculative Trading”;

- (vi) In May 2006, JP opened a Canadian dollar margin account. Her investment knowledge was recorded on the NAAF as “Good”; her risk tolerance level was recorded as 60% “Medium” and 40% “High” and her investment objectives were recorded as 60% “Growth” and 40% “Aggressive Growth”. This was a Managed Account;
- (vii) Between January 2010 and November 2011, both JP’s Non-Managed RRSP account and her Managed margin account held a significantly higher percentage of high risk securities than what was set out in the respective NAAFs. At one point, JP’s margin account consisted of over 83% high risk securities, despite the NAAF for the account allowing for a maximum of 40%. JP’s RRSP account consisted of over 62% high risk securities, despite the NAAF for the account allowing for a maximum of 50%; and
- (viii) At one point, the securities of the Issuers made up over 47% of the total holdings in JP’s RRSP account and over 65% of the total holdings in JP’s Managed margin account.

33. In the case of WB:

- (i) WB opened an RRSP account with the Respondent in 2006;
- (ii) The account was a Managed Account;
- (iii) At the time, WB was 64 years old;
- (iv) He was still employed and earned an annual income of approximately \$66,000, had net liquid assets of \$320,000 and fixed assets of \$670,000;
- (v) WB’s investment knowledge was recorded on the NAAF as “Good”; his risk tolerance level was recorded as 60% “Medium” and 40% “High” and their investment objectives were recorded as 60% “Growth” and 40% “Aggressive Growth”;
- (vi) Between January 2010 and November 2011, WB’s account held a significantly higher percentage of high risk securities than what was set out in the NAAF. At one point, WB’s account consisted of over 98% high risk securities; and

- (vii) At one point, the securities of the Issuers made up over 82% of the total holdings in WB's account.

34. In the case of SM and RM:

- (i) SM and RM were spouses;
- (ii) Beginning in 2001, they opened multiple accounts with the Respondent;
- (iii) At the time the first accounts were opened, SM was 66 years old and RM was 60 years old;
- (iv) SM and RM were both retired, had a combined annual income of approximately \$98,000, combined net liquid assets of \$580,000 and combined fixed assets of \$485,000;
- (v) Their investment knowledge was recorded on the NAAF as "Good"; their risk tolerance level was recorded as 30% "Low", 60% "Medium" and 10% "High" and their investment objectives were recorded as 30% "Income" and 60% "Long-Term Capital Appreciation" and 10% "Short-Term Capital Appreciation/Speculative Trading";
- (vi) Over time, updates to the NAAF were completed, which changed the risk tolerance in some of the accounts. In addition, some of the accounts were converted to Managed Accounts;
- (vii) Even accounting for these changes, between January 2010 and November 2011, each of SM and RM's accounts held a significantly higher percentage of high risk securities than what was set out in the respective NAAFs. At one point, SM's Managed RRIF account consisted of over 61% high risk securities and RM's Managed RRIF account consisted of over 63% high risk securities, despite the NAAFs for both accounts allowing for a maximum of 30%; and
- (viii) At one point, the securities of the Issuers made up over 46% of the total holdings in SM's RRIF account and over 51% of the total holdings in RM's RRIF account.

35. In the case of NA:

- (i) In February 2007, NA opened multiple accounts with the Respondent, including an RRSP, an RESP and a joint margin account;
- (ii) Each of these accounts was a Managed Account;
- (iii) At the time, NA was 41 years old and was employed as a director of business development;
- (iv) NA had an annual income of approximately \$200,000, net liquid assets of \$430,000 and net fixed assets of \$380,000;
- (v) His investment knowledge was recorded on the NAAFs as “Good”. The risk tolerance levels for the RRSP and the RESP accounts were recorded as 60% “Medium” and 40% “High” and the investment objectives were 60% “Growth” and 40% “Aggressive Growth”. The risk tolerance level for the non-registered joint account was recorded as 50% “Medium” and 50% “High” and the investment objectives were 50% “Growth” and 50% “Aggressive Growth”;
- (vi) Between January 2010 and November 2011, NA’s RRSP, RESP and joint margin accounts held a significantly higher percentage of high risk securities than what was set out in the respective NAAFs. At one point, NA’s RRSP account consisted of over 90% high risk securities, despite the NAAF for the account allowing for a maximum of 40%; and
- (vii) At one point, the securities of the Issuers made up over 90% of the total holdings in NA’s RRSP account.

36. In the case of CM:

- (i) CM had been a client of the Respondent’s since 1991;
- (ii) In 1999, when the Respondent joined Dundee Securities Corp., CM transferred her RRSP, LIRA and cash accounts with him;
- (iii) In September 2003, CM converted her accounts to Managed Accounts and updated her NAAF;
- (iv) At the time, CM was 45 years old and was employed in a marketing role;

- (v) CM had an annual income of approximately \$56,000, net liquid assets of \$170,000 and net fixed assets of \$310,000;
- (vi) Her investment knowledge was recorded on the NAAF as “Good”. For her RRSP and LIRA accounts, her risk tolerance level was recorded as 10% “Low”, 70% “Medium” and 20% “High” and her investment objectives were 50% “Income”, 30% “Long-Term Capital Appreciation” and 20% “Short-Term Capital Appreciation/Speculative Trading”;
- (vii) In February 2006, the NAAFs were updated for all of CM’s accounts. For her RRSP and LIRA accounts, her recorded risk tolerance was changed to 60% “Medium” and 40% “High” and her investment objectives were changed to 20% “Income”, 40% “Long-Term Capital Appreciation” and 40% “Short-Term Capital Appreciation/Speculative Trading”;
- (viii) Between January 2010 and November 2011, CM’s RRSP and LIRA accounts held a significantly higher percentage of high risk securities than what was set out in the NAAFs. At one point, CM’s LIRA account consisted of over 75% high risk securities, despite the NAAF for the account allowing for a maximum of 40%; and
- (ix) At one point, the securities of the Issuers made up over 65% of the total holdings in CM’s LIRA account.

37. The high risk of the securities held in the Clients’ accounts, together with the increased risk from the concentration in the securities of the Issuers, was unsuitable for the Clients and was inconsistent with their respective NAAFs.

38. In addition, the Respondent made similar unsuitable recommendations to several other clients which resulted in the risks associated with the securities in their accounts significantly exceeding the risk tolerance as outlined in their respective NAAFs.

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, this 3rd day of March, 2015.

ELSA RENZELLA
VICE-PRESIDENT, ENFORCEMENT
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
Suite 2000, 121 King Street West
Toronto, Ontario M5H 3T9