

IN THE MATTER OF:

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

**AND**

**MICHAEL BALLANGER**

**NOTICE OF HEARING**

An initial appearance (“Initial Appearance”) will be held before a hearing panel (“Hearing Panel”) of the Investment Industry Regulatory Organization of Canada pursuant to Sections 8203 and 8205 of the Consolidated Rules of IIROC in this matter. The purpose of the Initial Appearance is to schedule a hearing (“Hearing”).

The Initial Appearance will be held on: Thursday November 30th at 10:00 am.

The Initial Appearance will be held at: IIROC offices, 121 King Street West, Suite 2000, Toronto, Ontario.

The Respondent must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated October , 2017 (“Statement of Allegations”) in accordance with Section 8415 within 30 days from the effective date of service of this Notice of Hearing.

If the Respondent does not file a Response in accordance with Section 8415(1), the Initial Appearance may be immediately converted to a Hearing.

If the Respondent files a Response in accordance with Section 8415(1), the Initial Appearance will be immediately followed by an initial prehearing conference. In preparation for the prehearing conference, the Respondent must serve and file a prehearing conference form in accordance with Section 8416(5).

The purpose of the Hearing will be to determine whether the Respondent has committed the contraventions that are alleged by the staff of IIROC (“Staff”). The alleged contraventions are contained in the Statement of Allegations.

Pursuant to Section 8409, the Hearing will be conducted as a[n]:

- Oral Hearing
- Electronic Hearing
- Written Hearing

The Initial Appearance, the Hearing and all related proceedings will be subject to the Rules of Practice and Procedure as set out in Section 8400.

Pursuant to the Rules of Practice and Procedure, the Respondent is entitled to attend the Hearing and to be heard, to be represented by counsel or by an agent, to call, examine and cross-examine witnesses, and to make submissions to the Hearing Panel at the Hearing.

If the Respondent fails to serve a Response at the Hearing the Hearing Panel may, pursuant to Section 8415(4):

- (a) proceed with the hearing as set out in this Notice of Hearing, without further notice to the Respondent;
- (b) accept as proven the facts and contraventions set out by Staff in the Statement of Allegations; and
- (c) order penalties and costs against the Respondent pursuant to Sections 8209, 8210 and 8214.

If the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by Staff in the Statement of Allegations, the Hearing Panel may, pursuant to IROC Dealer Member Rules 20.33 and 20.34, impose any one or more of the following penalties:

**Where the Respondent is/was a Regulated Person who is not a Dealer Member:**

- (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 the person, directly or indirectly, as a result of the contravention.

- (c) suspension of the person's approval or any right or privilege associated with such approval, including access to a Marketplace, for any period of time and on any terms and conditions;
- (d) imposition of any terms or conditions on the person's continued approval or continued access to a Marketplace;
- (e) prohibition of approval in any capacity, for any period of time, including access to a Marketplace;
- (f) revocation of approval;
- (g) a permanent bar to approval in any capacity or to access to a Marketplace;
- (h) permanent bar to employment in any capacity by a Regulated Person, and
- (i) any sanction determined to be appropriate under the circumstances.

**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, directly or indirectly, by reason of the contravention;
- (c) suspension of membership in the Corporation or of any right or privilege associated with membership, including a direction to cease dealing with clients, for any period of time and on any terms and conditions;
- (d) imposition of any terms and conditions on the Dealer Member's continued membership, including on access to a Marketplace;
- (e) expulsion from membership and termination of the rights and privileges of membership, including access to a Marketplace;
- (f) a permanent bar to membership in the Corporation;
- (g) appointment of a monitor; and
- (h) any other sanction determined to be appropriate under the circumstances.

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

**DATED** this 27<sup>th</sup> day of October, 2017.



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NATIONAL HEARING COORDINATOR  
Investment Industry Regulatory Organization of Canada  
Suite 2000, 121 King Street West  
Toronto, Ontario, M5H 3T9

**IN THE MATTER OF:**

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

**AND**

**MICHAEL BALLANGER**

**STATEMENT OF ALLEGATIONS**

Further to a Notice of Hearing dated October 27, 2017, staff of the Investment Industry Regulatory Organization of Canada make the following allegation:

**PART I - CONTRAVENTION ALLEGED**

Between April and October 2013, the Respondent Michael Ballanger failed to comply with his Dealer Member firm's policies and procedures regarding new product reviews and the receipt and containment of confidential information, contrary to IIROC Dealer Member Rule 29.1.

**PART II - PARTICULARS**

**Overview**

1. Michael Ballanger ("Ballanger") was a Registered Representative at Richardson GMP ("RGMP") at the material time. In 2013 Ballanger obtained confidential information by virtue of his connections at a high risk illiquid issuer known as Tinka Resources Ltd ("Tinka").

2. In April 2013, Ballanger failed to comply with RGMP's policies and procedures when he committed his firm to act for Tinka in a private placement financing without obtaining prior approval.
3. In October 2013, Ballanger failed to comply with RGMP's policies and procedures by not advising RGMP in a timely manner that he was in possession of confidential or potentially material non public information regarding Tinka.

## **Background**

4. Ballanger was employed as a Registered Representative with RGMP from October 2012 until his employment was terminated in September 2014. Ballanger had been a registrant since 1977 and at one point was licensed as an Assistant Branch Manager. Ballanger has not been an IIROC registrant since leaving RGMP.
5. In a discussion with RGMP's Chief Compliance Officer ("CCO") and followed up by a November 15, 2012 email, Ballanger had been informed by the firm's CCO of RGMP's procedures regarding the proper handling of potentially material or confidential information.

## **Ballanger's relationship with Tinka**

6. At the relevant time Tinka was a junior resource exploration company which focused on the development of precious metals mines.
7. In 2012 and 2013, Ballanger had a close working relationship with Tinka's principals and received confidential information from them about the company.
8. Ballanger had recommended Tinka to many of his clients at RGMP. Between November 2012 and July 2013, approximately 10,570,550 shares of Tinka were transferred into RGMP in Ballanger's book of business. This number represented approximately 13% of the issued and outstanding shares of Tinka at that time. A large portion of the Tinka positions (approximately 5 million shares) were purchased via private placements at RGMP.
9. By March 10, 2014 Ballanger client positions in Tinka represented 18% of the issued and outstanding shares of the company.

### **Ballanger commits RGMP to act for Tinka without prior approval**

10. RGMP's Compliance Policies and Procedures Manual dated June 2011 (the "Policies and Procedures Manual") provided that the New Product Review Committee review and approve all new third party investment products including private placements for sale within RGMP.
11. On April 24, 2013, Tinka issued a press release announcing a non-brokered private placement financing of up to 2,353,000 units at a price of \$0.85 cents per unit for gross proceeds of up to \$2,000,050. The press release stated that "Richardson GMP is acting for the Company and will be paid a commission consisting of cash and warrants on a portion of the financing."
12. Prior to April 24, 2013, Ballanger committed RGMP to act for Tinka in a non brokered private placement without the review or approval of RGMP and contrary to firm policies and procedures. Ballanger did not inform either RGMP's compliance department or his branch manager of this proposed financing before Tinka issued a press release announcing the private placement, nor did he notify the firm that he was in possession of confidential and potentially material non public information.
13. Subsequently RGMP approved the above private placement after the fact and participated in this financing.

### **Ballanger receives confidential information regarding Tinka**

14. On October 8, 2013, Ballanger emailed RGMP's compliance department about a draft press release for a proposed Tinka financing. Ballanger had not previously notified RGMP about his knowledge or involvement in the proposed transaction or that he was in possession of confidential and potentially material non public information.
15. According to the Policies and Procedures Manual, Ballanger was required to inform RGMP's Compliance department if he was in possession of potential inside information. Given the circumstances of this transaction, Ballanger knew or ought to have known that he was required to inform RGMP of the confidential or potentially material non public information regarding Tinka.
16. In an October 8, 2013 email, RGMP's CCO reminded Ballanger of the firm's procedures relating to the receipt and containment of confidential information.
17. RGMP added Tinka to its grey list on October 8, 2013 and added it to the restricted list on November 7, 2013 when the private placement financing was announced publicly.

18. On November 8, 2013 RGMP's compliance department sent Ballanger an email questioning trades in Tinka executed for one of his clients between October 22 and 24, 2013, as these trades were not marked unsolicited.

**Close supervision by RGMP**

19. RGMP questioned Ballanger further in February 2014 and when his responses were not satisfactory to the firm, Ballanger was placed under close supervision by RGMP in April 2014. At that time the following conditions were imposed:
- close supervision for a period of not less than six months;
  - all new accounts were to be reviewed by branch management;
  - he was not allowed to enter solicited buys in Tinka;
  - he was not allowed to reference Tinka in marketing materials;
  - he could not sell his personal holdings or trade in this security until all client sales were satisfied and,
  - he was to develop an exit strategy for this security, to be presented to management within 30 days.
20. In early June 2014 Ballanger met with the compliance department and was reminded that he was to do the following:
- prepare a written plan for the disposition of Tinka;
  - not to discuss investment recommendations on social media;
  - bring receipt of non public information to the attention of the compliance department and,
  - all marketing materials should be pre approved.
21. Ultimately the Respondent did not present an exit strategy for Tinka to RGMP. Ballanger's employment was terminated by RGMP in September 2014 before the close supervision period had ended.

**DATED** at Toronto, Ontario this 27<sup>th</sup> day of October, 2017.