INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

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

AND

GLENN PRIOR

NOTICE OF APPLICATION

TAKE NOTICE that on Tuesday, November 6, 2012, at Legal Transcript Services, 350 Bay Street, 7th Floor, in Toronto, Ontario, at 10:00 a.m. or as soon thereafter as this application can be heard, staff of the Investment Industry Regulatory Organization of Canada ("IIROC") will make application to a Hearing Panel in an Expedited Hearing **ON NOTICE** to Glenn Prior pursuant to Dealer Member Rules 20.41, 20.43, 20.45 and 20.49 and Rule 16 of the Rules of Practice and Procedure.

THE APPLICANT SEEKS THE FOLLOWING RELIEF:

- 1. An order providing that:
 - (a) Prior's rights and privileges of approval for registration in any capacity or category with IIROC are permanently terminated;

- (b) Prior shall pay the costs of the investigation and hearing of this matter in the amount of \$25,000; and
- 2. Such further and other relief as counsel may request and the Hearing Panel may permit.

THE GROUNDS FOR THE APPLICATION ARE:

Overview

- 1. Glenn Prior ("Prior") forged his sister's and brother's signatures on guarantees for his personal investment account. In doing so, he made their capital available to backstop his trading. Unbeknownst to them, he incurred significant trading losses over \$700,000 which would have exhausted nearly all of their capital had the guarantees been enforced. Ultimately, Prior's dealer, RBC Dominion Securities Inc. ("RBC DS"), declined to enforce the guarantees and instead took on Prior's trading debt. As such, Prior's forgeries resulted in a significant fraud on RBC DS.
- 2. Prior has pleaded guilty to a related criminal offence: causing his assistant to act on forged documents (*i.e.*, the guarantees).
- 3. Prior's forgeries, used to deceive both his siblings and RBC DS, and his criminal charge both bring the capital markets into disrepute.

Glenn Prior

Prior was an IIROC registrant (and previously a registrant of the Investment Dealers
Association of Canada) starting at least as early as 1989. Between November 1989 and

January 2009, Prior was employed continuously, other than a couple of brief periods, with various IIROC Dealer Members. Most recently, Prior worked with RBC DS from June 2006 to January 2009.

 For much or all of his time as a registrant, Prior was registered as a Registered Representative.

CIBC Accounts and Initial Guarantees

- 6. Prior maintained his own trading account (the "Prior Account") over time. The Prior Account was initially guaranteed by Prior's father.
- 7. Before moving to RBC DS, Prior worked at CIBC World Markets Inc. ("CIBC") and held the Prior Account there.
- 8. Prior's father also held a trading account at CIBC, with Prior as advisor. On his father's death, Prior inherited his father's account jointly with his sister, HG, and his brother, JP. That account (the "Joint Account") continued to guarantee the Prior Account, which at that time had a \$150,000 debit.
- 9. Shortly after their father's death, HG's husband was killed in a car accident. HG received a payment in settlement of her claims regarding that accident, which she invested in an account with Prior (the "HG Account"). The balance of the HG Account was in the range of around \$700,000.
- 10. Prior persuaded HG to further guarantee the Prior Account with the HG Account.

RBC Accounts and Cross-Guarantees

- 11. Prior moved from CIBC to RBC DS in 2006. He arranged for the Prior Account, the Joint Account, and the HG Account to be moved to RBC DS with him.
- 12. At RBC DS, Prior arranged for cross-guarantees between the Prior Account, the Joint Account and the HG Account. To effect those guarantees, each account guaranteed the other two accounts.
- 13. The account documents and guarantees were updated from time to time. Cross-guarantees between the Prior Account, the Joint Account and the HG Account were executed for the accounts each time the accounts were updated.

Forged Signatures

- 14. Each of the guarantees for the Prior Account, the Joint Account and the HG Account appeared to be executed by Prior, HG and JP, where appropriate. The signatures on the guarantees were purportedly witnessed by Prior's assistant, CP.
- 15. HG, however, did not sign all, or possibly any, of the guarantees. Rather, Prior forged HG's signature on some or all of the guarantees for the Prior Account, the Joint Account and the HG Account.

Forged Signatures Caused Fraud on RBC DS

16. The guarantees by the Joint Account and the HG Account for the Prior Account allowed Prior to continue trading and incurring losses up to the level of funds held in the Joint Account and HG Account. Unbeknownst to HG, Prior continued to incur losses in the

- Prior Account and the guaranteed debit continued to grow. By September 2009, that debit had reached approximately \$790,000.
- 17. Had the guarantee of the Prior Account been enforced against the HG Account, nearly all of HG's capital would have been exhausted. The balance in the HG Account at the end of February 2010 was nearly identical to the debit in the Prior Account at that time: the February 26, 2010, statement for the HG Account lists a balance of \$776,780.10, while the February 26, 2010, statement for the Prior Account lists a debit of \$755,351.43.
- 18. RBC DS determined that the signatures on the guarantees by the HG Account were forged and that it would not enforce the guarantees. As such, the debit in the Prior Account was borne by RBC DS.

Guilty Plea and Criminal Conviction

- 19. Prior was charged under the *Criminal Code*, R.S.C. 1985, c. C-46, with causing CP to act upon forged documents between October 26, 2006, and June 22, 2009. Prior was arraigned on this charge in a hearing on February 10, 2012, before Justice Boswell in the Ontario Superior Court of Justice (the "Criminal Hearing").
- 20. Prior pleaded guilty to the criminal charge at the Criminal Hearing. In an agreed statement of facts read at the hearing, Prior admitted that he had failed to advise HG and JP about new cross-guarantees among their investment accounts at RBC DS on which Prior had forged their signatures. Prior admitted that he failed to advise HG and JP that the losses on his own account, which they guaranteed, were well in excess of \$150,000.

- 21. Accordingly, at the Criminal Hearing Prior admitted to forging his brother's signature as well as his sister's signature.
- 22. In his reasons for sentence, Justice Boswell noted, at the outset: "This is a case where the charge is that Mr. Prior knowingly caused [CP] to act on forged documents as if they were genuine, but in effect, has occurred as a fraud ultimately on the Royal Bank for a very substantial amount of money."
- 23. In the result, Justice Boswell imposed a 22-month sentence to be served conditionally as house arrest and made a compensation order in favour of RBC DS in the amount of \$676,289.41.

Criminal Charge Brings the Capital Markets into Disrepute

- As a result of the criminal charge culminating in the Criminal Hearing, Prior is an Approved Person who has been charged with a criminal offence relating to fraud and forgery. That charge, relating to his forgery of client account documents and resulting in a significant fraud against RBC DS, brings the capital markets into disrepute.
- 25. Dealer Member Rules 20.41, 20.43, 20.45 and 20.49.
- 26. Rule 16 of IIROC's Rules of Practice and Procedure.
- 27. Such further and other grounds as counsel may advise and the Hearing Panel may permit.

THE APPLICANT WILL RELY ON THE FOLLOWING EVIDENCE:

1.	The affidavit	of Michael	Arthur, sworn	October 23.	. 2012: and

2. such further and other evidence as counsel may advise and the Hearing Panel may accept.

DATED at Toronto, Ontario this 23rd day of October, 2012.

"Jeff Kehoe"

JEFFREY KEHOE VICE-PRESIDENT, ENFORCEMENT Investment Industry Regulatory Organization of Canada Suite 2000, 121 King Street West Toronto, Ontario, M5H 3T9