

Enforcement report FY

2021-2022

Legal Deposit – Bibliothèque et
Archives nationales du Québec, 2022
ISBN 978-2-550-91828-8 (PDF)

Québec City

Place de la Cité, tour Cominar 2640,
boulevard Laurier, bureau 400 Québec
(Québec) G1V 5C1
418-525-0337

Toll-free 1-877-525-0337


Montréal

800, square-Victoria, 22^e étage
Place Victoria Montréal
(Québec) H4Z 1G3
514-395-0337

lautorite.qc.ca

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The mission of the Autorité des marchés financiers (AMF) is to regulate Québec's financial sector in order to promote its efficiency and protect consumers of financial products and services.

Activities of AMF Enforcement

- Inspect how activities are conducted by representatives and firms licensed by the AMF in the securities and financial products and services distribution industries, including the insurance and mortgage brokerage sectors, their respective representatives, and money-services businesses.¹
- Detect, investigate and seek sanctions, through appropriate proceedings and other remedies, for breaches and violations of the laws, regulations and guidelines administered or made by the AMF.
- Take conservatory measures to protect the public and maintain market integrity.

The enforcement actions undertaken by the AMF are a cornerstone of investor confidence and help ensure that markets work fairly and efficiently.

¹ Mandate transferred to Revenu Québec in September 2021.



Message from the Executive Director, Enforcement

Jean-François Fortin
Executive Director, Enforcement

Like the previous year, 2021-2022 was marked by the pandemic. This did not prevent AMF Enforcement from showing resilience and agility in diligently carrying out its enforcement activities and obtaining concrete measures and results.

Despite the increasingly complex matters and schemes faced by AMF Enforcement, the teams demonstrated their ability to adapt by handling a large volume of investigation inputs, instituting multiple urgent conservatory proceedings and taking on new responsibilities.

AMF Enforcement also obtained tangible results before the courts in proceedings instituted in connection with a range of offences, from insider trading to the illegal carrying on of exchange activities, thereby enhancing the protection of financial consumers.

Again this year, mention must be made of technological advances, including the consolidation and adoption of important tools such as electronic evidence management (AÉP) and the Market Analysis Platform (MAP), which were rolled out last year, and the development of data science tools to optimize our work methods. AMF Enforcement, with input and assistance from data science experts, is constantly reflecting on new technology tools it might acquire to enhance its prevention and intervention capabilities and taking action in this regard.

Although the cryptoasset sector is still in its early stages, the rapidly and constantly evolving nature of the sector has made it a strong focus of our enforcement strategy. AMF Enforcement teams implemented an intervention and awareness approach to combatting illegal activities in the cryptoasset ecosystem while taking actions such as obtaining orders to shut down websites. AMF Enforcement also prosecuted many matters, in certain cases proactively obtaining freeze orders and bans.

Lastly, AMF Enforcement is proud of the evolving partnerships it has established with other public prosecutors, including with the Director of Criminal and Penal Prosecutions and the Public Prosecution Service of Canada, and with police forces such as the Royal Canadian Mounted Police, the Sûreté du Québec and the Montréal police department (SPVM). The results obtained this year as a result of these partnerships demonstrate the benefits of pooling strengths and expertise to deter financial crime.

The AMF's mission is at the core of what drives our AMF Enforcement team. This report provides an overview of the inspection, detection, investigation and prosecution activities that we carried out over the past year.

I would like to sincerely thank the whole team—the managers, professionals, prosecutors, analysts, surveillance specialists and entire support staff—for their dedication and commitment. They spared no effort and consistently rose to the challenge of implementing a credible and deterrent enforcement approach.

1

Enforcement highlights

Period from April 1, 2021 to March 31, 2022

Sanctions

April 1, 2021 to March 31, 2022



98

individuals and firms were sanctioned

98 individuals and firms were sanctioned by the courts for various offences under the laws administered by the AMF.

3



Jail sentences

Two individuals were given a total of 26 months of jail time in penal proceedings. One individual was sentenced to imprisonment for a term of 42 months following criminal proceedings conducted in partnership with the police and public prosecutors.

\$7,469,604

finances and administrative penalties

\$7,469,604 in fines and administrative penalties were imposed.



Inspections

April 1, 2021 to March 31, 2022

Opened Concluded Ongoing

Matters processed

	<input type="radio"/>	
	<input type="radio"/>	61
<i>Act respecting the distribution of financial products and services</i>	<input checked="" type="radio"/>	71
	<input type="radio"/>	41
	<input type="radio"/>	207
<i>Securities Act</i>	<input checked="" type="radio"/>	178
	<input type="radio"/>	70
	<input type="radio"/>	3
<i>Money-Services Businesses Act²</i>	<input checked="" type="radio"/>	5
	<input type="radio"/>	0

² Mandate transferred to Revenu Québec in September 2021.

Investigations

April 1, 2021 to March 31, 2022



○ Opened ● Concluded ◐ Ongoing

Matters processed

	○	●	◐
	24		
Case assessment		80	
			21
Market surveillance	32	69	
			20
Cybercrime investigations	9	12	
			12
General investigations	41	43	
			47
Joint investigations – financial crimes	36	27	
			30
Market abuse	30	26	
			28



Proceedings

April 1, 2021 to March 31, 2022

Proceedings before the courts	Statements issued and receiverships	13
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Proceedings before the Financial Markets Administrative Tribunal	Requests filed	25
------------------------------------------------------------------	----------------	----

Administrative proceedings	Requests for orders under the <i>Insurers Act</i> or the <i>Act respecting the distribution of financial products and services</i>	12
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The above proceedings were instituted against 127 individuals and firms.

Offences³

Number of counts filed

<i>Securities Act</i> or <i>Derivatives Act</i>	49
-------------------------------------------------	----

<i>Act respecting the distribution of financial products and services</i>	18
---------------------------------------------------------------------------	----

³ A statement of offence may contain more than one count.

Freeze orders and bans

April 1, 2021 to March 31, 2022



18

freeze orders issued

18 freeze orders issued by the Financial Markets Administrative Tribunal.

Freeze orders are issued during an investigation to protect assets and prevent them from being transferred or dissipated, so that amounts may be returned to the victims.

56

bans

56 bans on carrying on certain regulated activities, acting as a representative, responsible officer, compliance officer or director, trading in securities, accessing the file of a vulnerable person, acting as an adviser, or acting as an investment fund manager.

72

individuals

These freeze orders and bans affected 72 individuals.



Investor restitution

April 1, 2021 to March 31, 2022

\$5,521,185

restitution orders

In the 2021-2022 fiscal year, the AMF obtained restitution orders amounting to \$5,521,185⁴ for reimbursement to aggrieved investors through the AMF or receiverships.

⁴ On March 31, 2022, the Superior Court ordered a minimum reimbursement of \$5,367,161 in *Plexcoin*.

Fines and administrative penalties

April 1, 2021 to March 31, 2022

\$7,469,604



Fines imposed by courts	<i>Securities Act or Derivatives Act</i>	\$831,000
	<i>Act respecting the distribution of financial products and services</i>	\$81,500
	<i>Money-services Businesses Act</i>	\$0
Administrative penalties imposed by the Financial Markets Administrative Tribunal	<i>Securities Act or Derivatives Act</i>	\$6,384,554
	<i>Act respecting the distribution of financial products and services</i>	\$101,550
	<i>Money-services Businesses Act⁵</i>	\$21,000
Monetary administrative penalties imposed by the AMF	<i>Securities Act⁶, Act respecting the distribution of financial products and services⁷ or Insurers Act⁸</i>	\$50,000

6,192

hours of compensatory work

6,192 hours of compensatory work were completed by 7 offenders.

⁵ Mandate transferred to Revenu Québec in September 2021.

⁶ Section 274.1.

⁷ Sections 115.2 and 419.

⁸ Sections 491 to 494 of the *Insurers Act* (section 405.1 of the *Act respecting insurance* prior to June 13, 2019).



Whistleblower program

April 1, 2021 to March 31, 2022

131

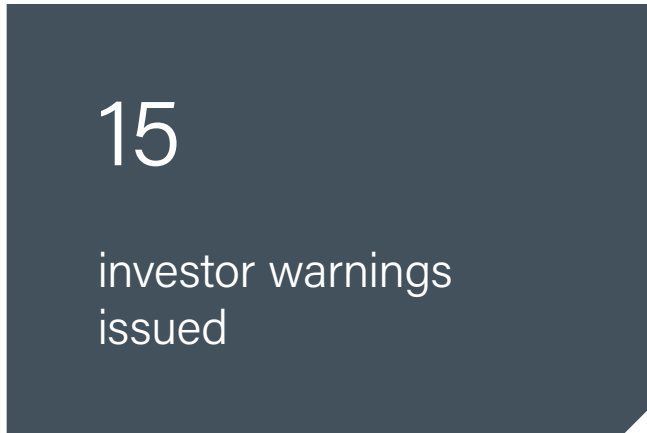
reports received

The purpose of the AMF whistleblower program is to obtain new and relevant information from any person about offences being committed under the laws and regulations administered by the AMF. Whistleblowers, who make an invaluable contribution to the AMF's efforts by sharing information not otherwise readily available to investigators, can make reports in complete confidence and are protected through anti-reprisal measures.

Launched in 2016, the whistleblower program generates reports that lead to concrete results. In the 2021-2022 fiscal year, the AMF received 131 reports containing information that was used in 14 ongoing investigations and resulted in the opening of five new investigations.

Investor warnings

April 1, 2021 to March 31, 2022



The AMF published 15 investor warnings to caution and protect Québec consumers against the risks associated with emerging schemes, fraudulent representations or illegal solicitations, particularly in connection with fraudulent trading platforms in the cryptoasset sector.

2

A few highlights

Despite the ongoing challenges posed by the pandemic, the results presented in the previous pages show that AMF Enforcement continued to see growth in such areas as the amount of fines and monetary administrative penalties imposed (\$7.3 million in 2021-2022 versus \$5.5 million in 2020-2021), the volume of inputs analyzed and the number of requests for freeze orders and bans and counts introduced in penal matters.

Large volume of information to be processed

2

Over the past two years, AMF Investigations has had to process a larger quantity of information when assessing reports, complaints, tips and references obtained from its partners and through its surveillance and detection activities.

In 2021-2022, the teams of investigators had to process 1,206 inputs, compared with 768 inputs in 2019-2020 and 1,159 inputs in 2020-2021.

Urgent and preventative measures

AMF Enforcement sought to have the Financial Markets Administrative Tribunal (Tribunal) impose urgent or preventative measures in the form of freeze orders and bans, particularly in matters involving cryptoassets. These are very significant actions that are intended to bring an immediate end to the illegal activities. By undertaking them, the AMF is proactively protecting investors.

AMF Enforcement obtained 18 freeze orders and 56 bans in 2021-2022, compared with 10 freeze orders and 16 bans in 2020-2021.

Penal offences

AMF Enforcement nearly doubled the number of counts filed in penal matters under the *Securities Act* compared with last year, from 25 to 49.

New responsibilities related to mortgage brokerage supervision

AMF Enforcement saw yet further growth in its activities as it continued to take on responsibility for supervision of the mortgage brokerage sector, which was entrusted to it in May 2020. In 2021-2022, more than 20 regular inspection matters were opened and over 100 self-assessment questionnaires were sent to mortgage brokers.

Concurrently with the work carried out by the inspection team, AMF Investigations processed over 100 reports that led to some 20 investigation matters being opened in connection with mortgage brokerage practices.

AMF Litigation handled over 20 matters for the purpose of penal or administrative proceedings in connection with the practice of mortgage brokers.

Tracking of regulatory reforms

2

As a result of the regulatory amendments commonly referred to as “Client Focused Reforms,” which implement the latest changes to Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations and its companion policy, new conflict-of-interest, Know Your Client (KYC), Know Your Product (KYP) and suitability requirements, among others, came into force on June 30, 2021. These requirements impose new responsibilities on AMF Enforcement, particularly for the inspection team, which must ensure that registered firms are aware of and comply with the regulatory changes.

In 2021-2022, AMF Enforcement also conducted a self-assessment exercise (86 questionnaires submitted) to verify damage insurance brokerage firm compliance with obligations stemming from specific provisions related to the passage of the *Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions* and the Regulation respecting Damage Insurance Brokerage, both of which came into force at the end of 2019.

The exercise revealed that targeted actions will be required in the coming year to promote an understanding of best practices related to obtaining quotes from three insurers as well as brokerage firm compliance with their disclosure obligations, particularly with respect to their remuneration.

Complexity

In 2021-2022, AMF Enforcement’s investigators and prosecutors continued to be relied upon in several major matters involving misrepresentation, insider trading, market manipulation, cryptoasset fraud and regulatory non-compliance. Such matters engage several teams and require extensive expertise owing to their complexity and scope.

3

Important decisions and matters

This year, the AMF's interventions before the courts to have sanctions imposed for non-compliance with the laws it administers or to stop such non-compliance once again resulted in a number of important rulings with conclusive results, as illustrated by the following decisions.

Market integrity

3

Bloomberg

The AMF had a number of agreements confirmed by the Tribunal in 2021-2022. One imposed a \$4,000,000 administrative penalty on three entities related to the financial group Bloomberg for, among other things, carrying on business as an exchange in Québec without being recognized as an exchange by the AMF and operating multilateral trading facilities for fixed income securities and swaps.

In its decision, the Tribunal stressed that “[translation] *a domestic or foreign exchange’s compliance with the obligation (i) to obtain authorization from the AMF in order to carry on activities in Québec and (ii) to respect the conditions imposed by said authorization, is vital to the protection of Québec investors and to maintaining the integrity of Québec as a financial centre.*”

Receiverships

Cape Cove

AMF Enforcement obtained four receivership orders in the matter of Cape Cove Financial Management Inc. after an inspection and investigative steps revealed unusual movements of funds between various individuals and companies related to Cape Cove.

In three separate judgments, the Superior Court, in dismissing contestations of the receivership orders, confirmed that the AMF had reasonable grounds for believing that receiverships were necessary in this case. This matter is still being investigated by the AMF.

Insider trading matters

Poudrette, Moreau

Administrative penalties totalling \$447,553 were obtained for insider trading in the matter of Alain Poudrette and Rénaud Moreau for transactions carried out in connection with the sale of RONA Inc. Under the agreements between the parties that were confirmed by the Tribunal, the defendants admitted that they had obtained information they knew to be privileged regarding the sale of the company and that they had purchased shares in the company when they were in possession of the information.

In confirming the agreements, the Tribunal reiterated that insider trading “[translation] (...) is a breach of trust that undermines the foundations on which the capital markets are based. The public, particularly the investing public, can only react negatively to an act that allows certain individuals to reap the rewards of others’ efforts.”

Destenay, Caron

Administrative penalties totalling \$235,000 were imposed in connection with trades in the securities of five companies executed by Hugues Destenay, an engineer and technical evaluation manager for acquisition projects with Agnico Eagle Mines Ltd., while he was in possession of privileged information obtained in the course of his functions. Furthermore, Hugues Destenay shared this information with two members of his family, Michel and Marie-France Caron, who also traded on the basis of privileged information.

These significant wins, in matters involving a type of violation that is difficult to prove, are evidence, once again, of the quality of the work carried out by AMF Enforcement’s investigators and prosecutors.

Automobile dealers

Performance N.C. Valcourt

The defendant, 2962-9334 Québec inc., operating as Performance N.C. Valcourt, was found guilty of two counts of exercising undue pressure or using fraudulent tactics to induce consumers to purchase a financial product or service during the purchase of a recreational vehicle.

This was the first penal conviction of a car dealer.

Mistreatment of older adults

Roger Tremblay

The Tribunal allowed an ex parte request by the AMF and issued freeze orders in respect of the property of Roger Tremblay and that of an incapacitated person in order to protect that person. The AMF suspects that the person was the victim of financial mistreatment.

In its decision, the Tribunal reiterated that registrants are the public's first line of defence in the financial markets and must conduct themselves in a manner that befits a professional and reflects of the highest standards of quality. The AMF worked with the Curateur public du Québec and the Chambre de la sécurité financière in this particular matter. Through their proactive involvement, these partners, who share the AMF's concerns regarding the protection of the elderly, helped expedite preparation of the request for the freeze orders and ensure their success.

Mortgage brokerage

Magik Hypothèque

The AMF took proactive action in the matter of Magik Hypothèque against two individuals who were carrying on mortgage brokerage activities without an AMF-issued certificate and were soliciting clients through, in particular, the website magikhypothèque.ca. The AMF obtained various bans and an order to remove and deactivate a Facebook page promoting magikhypothèque.ca and all advertising of the same nature distributed directly or indirectly via the Internet.

4

Consolidation of our technological advances

In 2021-2022, the AMF worked to consolidate technological advances that were undertaken in the past few years. A number of the major technology projects launched by the AMF proved to be essential to improving and changing its processes, procedures and practices. AMF Enforcement's teams are continuing to actively develop, implement and learn about the new tools.

Electronic evidence management and the Market Analysis Platform

4

AMF Enforcement continued its rollout of two innovative and powerful tools: AÉP and MAP. These tools, which are being refined as they are rolled out, require the application of new ways of working and represent a major investment in knowledge acquisition and user education.

AÉP is already improving efficiency, particularly in real-time tracking of performance indicators and matter management. MAP, for its part, is proving to be a powerful tool capable of generating an impressive quantity of market data that was not previously accessible to the AMF.

Data science initiatives

AMF Enforcement has a team of data science specialists who are developing tools to enable it to better use and process data and enhance its detection and investigation capabilities.

In 2021-2022, the team of specialists worked on a variety of projects, particularly in the area of market manipulation, in order to improve detection capabilities and design a tool to detect cryptoasset trading platforms with ties to Canada.

5

Countering emerging illegal products and practices

Enforcement of cryptoasset legislation

5

AMF Enforcement continued its offensive on the cryptoasset front with respect to initial coin offerings (ICOs) and offers to invest in cryptoasset miners by taking intervention actions adapted to the nature of the identified areas of non-compliance.

Approach and Intervention initiatives

Specifically, AMF Enforcement is responsible for deploying an intervention and awareness approach to countering illegal activities in the cryptoasset ecosystem, including:

- Implementing an action plan for responding to non-compliant cryptoasset trading platforms;
- Developing a national enforcement strategy targeting foreign cryptoasset trading platforms operating illegally in Canada;
- Enhancing detection capabilities, including the capacity to detect and track transactions on blockchains;
- Creating a centre of cryptoasset expertise within AMF Enforcement;
- Having its teams contribute to several campaigns to raise public awareness of the risks associated with cryptoassets.

AMF Enforcement was also very active in prosecuting certain matters relating to cryptoassets and obtaining, in connection with its investigations, urgent measures such as freeze orders and bans in order to send a deterrent message.

Prosecutions

CreUnite

The Tribunal imposed penalties of \$25,000 on Dominic Longpré and \$20,000 on Ian Lajoie for committing an offence under the *Securities Act* by making distributions without a prospectus, in Québec and from Québec, in connection with the CreUnite project. The promoters invited the public, by way of an ICO, to participate in the project's financing by acquiring CUT tokens, a cryptocurrency created for the project. The Tribunal found that the offer made to the public to invest in the project by purchasing CUT tokens was consistent with the concept of an investment contract and that a prospectus was therefore required.

Nuvoo Inc.

The Tribunal imposed penalties of \$50,000 on Martin LeBlanc and Johnny Martin and prohibited them and the companies Nuvoo inc. and G.O. Great Offers Direct Ltd. from engaging in any activity in respect of any security. The Nuvoo project was offering members of the public packages entitling them to computation units for cryptoasset mining. The Tribunal found that this constituted an investment contract and that a prospectus was therefore required.

Conservatory measures

Change Marsan Inc.

In this matter, the Tribunal issued asset freeze orders against Change Marsan Inc., Antoine Marsan, Bastien Francoeur and Kevin Mirshahi as well as various cease trade orders and bans on engaging in any activities as investment dealers or advisers. The respondents distributed securities by launching a new token called MRS on Uniswap, a decentralized exchange. The AMF also obtained orders to withdraw any advertisement disseminated via the Internet, including on Facebook, Twitter, Instagram and Telegram, in connection with MRS. The AMF's investigation in this matter is still ongoing.

Hope Token

In this matter, the AMF obtained conservatory orders from the Tribunal, which issued asset freeze orders against the respondents, who marketed and promoted Hope Token cryptocurrency, as well as various cease trade orders and bans on engaging in any activities as investment dealers or advisers. The Tribunal noted that the value of the investment contracts, which were distributed to several hundred investors, could be as high as \$4,000,000. The AMF's investigation in this matter is still ongoing.

Initiatives to raise awareness about cryptoasset volatility and fraud risks

Because prevention and raising awareness continue to be the best ways to equip Quebeckers with the tools they need and to develop good vigilance practices, in the fall of 2021 and the winter of 2022 the AMF rolled out a digital awareness campaign on the risks associated with cryptoassets (fraud risk and volatility risk). The videos were posted on platforms that are popular with young people aged 18 to 25, such as YouTube and TikTok.

Investor warnings and list of high-risk websites and companies

In keeping with this same desire to warn potential victims of fraudulent on-line trading platforms, the AMF issued 10 investor warnings regarding cryptoassets, on its own or in conjunction with the Canadian Securities Administrators. The AMF also added 125 companies or cryptoasset trading or transaction platforms to its list of websites and companies carrying on possibly illegal high-risk activities in Québec.

6

Working in partnership

AMF Enforcement continued working in partnership with other public prosecutors and police forces by collaborating with them on more than 10 active cases.

Matters handled in partnership

6

Dallaire-Beaudry

AMF Enforcement's investigators worked closely with the Montréal police department (SPVM) and the Director of Criminal and Penal Prosecutions (DPCP) in this matter involving Stéphane Dallaire and Stéphane Beaudry, who induced people to invest in various projects and then appropriated a portion of the funds entrusted to them. Criminal proceedings for fraud and forged documents were instituted in this matter. The judgment was rendered on December 23, 2021 and both of the accused were found guilty. The sentencing hearing is set for August 29, 2022.

Glazer

In this matter, the AMF and the SPVM investigated David Glazer, a former registrant with the AMF who appropriated various sums of money from his clients over the years. Among other things, the AMF obtained bans and freeze orders that preserved assets. The DPCP instituted criminal proceedings against David Glazer for fraud over \$5,000, making a false document and forgery. David Glazer ultimately pleaded guilty and was sentenced on January 10, 2022 to imprisonment for a term of 42 months.

Project Écho

The AMF worked closely with the Sûreté du Québec in this matter involving a complex tax scheme. Upon completing its investigation, the AMF filed a request with the Tribunal seeking the imposition of almost \$2,000,000 in administrative penalties on, in particular, Claude Duhamel, a former securities dealer representative with prior convictions, and Benoit Mercier. Proceedings are underway and the matter is still at the case management and preliminary motions stage. Hearing dates are expected to be set in 2022.



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