



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

22<sup>nd</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

22e étage  
20, rue queen ouest  
Toronto ON M5H 3S8

---

**IN THE MATTER OF THE *SECURITIES ACT*,  
R.S.O. 1990, c. S.5, AS AMENDED**

**- and -**

**IN THE MATTER OF  
PAUL YOANNOU**

**STATEMENT OF ALLEGATIONS  
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) allege:

**I. OVERVIEW**

1. On February 1, 2013, Paul Yoannou (“Yoannou”) pleaded guilty in the Ontario Court of Justice to 15 counts of fraud over \$5,000, contrary to section 380(1)(a) of the Criminal Code, R.S.C., 1985, c. C-46 (“Criminal Code”). Yoannou’s guilty plea was accepted by the Court, and he was convicted and sentenced to 6 years in prison.
2. The offences for which Yoannou was convicted arose from transactions, business or a course of conduct related to securities.
3. Staff are seeking an inter-jurisdictional enforcement order reciprocating Yoannou’s convictions, pursuant to paragraph 1 of subsection 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”).
4. The conduct for which Yoannou was sanctioned took place between 2004 and 2011 (the “Material Time”).

## **II. THE RESPONDENT**

5. Yoannou is a resident of Ontario.
6. During the Material Time, Yoannou was employed as a mutual fund salesperson with Investors Group Financial Services Inc. (“Investors Group”).
7. During the Material Time, Yoannou misappropriated approximately \$6,600,000 from one company and 18 individuals. Yoannou solicited investors, who were his clients, to invest in various fraudulent schemes. In exchange for their investments in those schemes, Yoannou provided investors with false promissory notes using Investors Group letterhead.
8. Yoannou did not use investor funds as promised, but instead deposited the monies in bank accounts under his control and for his own benefit.
9. Yoannou’s employment with the Investors Group terminated on July 11, 2011 as a result of his misconduct.

## **III. THE ONTARIO COURT OF JUSTICE PROCEEDINGS**

### **Yoannou Guilty Plea**

10. By Information sworn June 28, 2012, Yoannou was charged with 32 counts of fraud over \$5,000, contrary to section 380(1)(a) of the Criminal Code (the “Information”).
11. On February 1, 2013, Yoannou pleaded guilty to 15 counts of fraud over \$5,000, being counts 1, 2, 4, 7, 8, 9, 11, 12, 14, 19, 21, 26, 28, 31 and 32 of the Information.

### **Yoannou’s Sentence**

12. A sentencing hearing was subsequently held on February 28, 2013 before Justice Boivin of the Ontario Court of Justice. Justice Boivin issued oral reasons for sentence and sentenced Yoannou to a term of imprisonment of 6 years.

#### **IV. THE MFDA PROCEEDINGS**

13. On August 31, 2012, the Mutual Fund Dealers Association of Canada (“MFDA”) issued a Notice of Hearing (“MFDA Notice of Hearing”) concerning Yoannou’s misconduct while employed with the Investors Group, a member of the MFDA, during the Material Time.
14. The MFDA Notice of Hearing contained allegations, which formed the basis of the proceedings against Yoannou before the Ontario Court of Justice, and described the various investment programs (“Investment Programs”) Yoannou promoted, including:
  - i. A Credit Card Program, involving financing of unpaid credit card payments for credit cards issued by the Investors Group. Investments in the credit Card Program would be used to make up shortfalls in monthly payments for Investors Group credit cards. Investors were offered a guaranteed 12% rate of return;
  - ii. A Construction Loan Program, in which Investors Group purportedly sought funds on behalf real estate developers planning construction of condominium buildings in Toronto. Investments in the Construction Loan program served as short-term bridge financing required by the developers prior to commencing construction of the condominium buildings. Investors were offered a 10% return for 90-day loans;
  - iii. The purchase shares of X. Co. Limited, a private corporation whose business was the prevention of credit card fraud for retailers and banks. Yoannou told investors X. Co. Limited was planning to become publicly traded, at which time, its share value would increase substantially, and that Yoannou had personally invested in X. Co. Limited; and
  - iv. A Diamond Trading Program, in which investors were told Yoannou was working with a diamond jeweler seeking to raise funds to purchase diamonds in New York City at a price below market value. Investors were offered a return of 3% to 10% per month for their investment.

15. None of the Investment Programs were legitimate investment opportunities, nor were they known to or approved by the Investors Group.
16. On April 25, 2013, the matter was heard at a disciplinary hearing before a Panel of the MFDA (the “MFDA Panel”). In its Reasons for Decision dated May 8, 2013, the MFDA Panel acknowledged Yoannou’s guilty plea before the Ontario Court of Justice in relation to his misconduct.
17. The MFDA Panel accepted as proven the allegations contained within the MFDA Notice of Hearing, and found that Yoannou misappropriated at least \$6,000,000 from clients and other individuals, contrary to MFDA Rule 2.1.1. The MFDA Panel further found that Yoannou failed to attend an interview to provide a statement and to produce documents and records as requested by the MFDA in the course of their investigation, contrary to section 22.1 of MFDA By-law No. 1.
18. The MFDA Panel ordered a permanent prohibition against Yoannou from conducting securities related business in any capacity over which the MFDA has jurisdiction, pursuant to s. 24.1.1(e) of MFDA By-law No. 1.

## **V. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION**

19. Pursuant to paragraph 1 of subsection 127(10) of the Act, Yoannou’s convictions for offences arising from transactions, business or a course of conduct related to securities or derivatives may form the basis for an order in the public interest made under subsection 127(1) of the Act.
20. Staff allege that it is in the public interest to make an order against Yoannou.
21. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.
22. Staff request that this application be heard by way of a written hearing pursuant to Rules 2.6 and 11 of the *Ontario Securities Commission Rules of Procedure*.

**DATED** at Toronto, this 3<sup>rd</sup> day of July, 2014.