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

**- and -**

**IN THE MATTER OF THE REGISTRATION OF  
RWS CAPITAL SERVICES INC.**

**DECISION OF THE DIRECTOR**

Having reviewed and considered the agreed statement of facts, the admissions by RWS Capital Services Inc. (“RWS”), and the joint recommendation to the Director by staff of the Ontario Securities Commission (“Staff”) and counsel for RWS contained in the settlement agreement signed on behalf of RWS on March 5, 2020, and by Staff on March 6, 2020 (the “Settlement Agreement”), a copy of which is attached as Schedule “A” to this Decision, and on the basis of those agreed facts and admissions, I, Debra Foubert, in my capacity as Director under the *Securities Act*, R.S.O. 1990, c. S.5 (the “Act”), accept the joint recommendation of the parties, and make the following decision:

1. The registration of RWS under the Act as a dealer in the category of exempt market dealer is suspended effectively immediately.

March 10, 2020  
Date

*“Debra Foubert”*  
Debra Foubert

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

**- and -**

**IN THE MATTER OF THE REGISTRATION OF**  
**RWS CAPITAL SERVICES INC.**

**SETTLEMENT AGREEMENT**

**I. INTRODUCTION**

1. This settlement agreement (the “Settlement Agreement”) relates to the opportunity to be heard under s. 31 of the *Securities Act*, R.S.O. 1990, c. S.5 (the “Act”) that has been requested by RWS Capital Services Inc. (“RWS”), a registered exempt market dealer, regarding the recommendation by staff of the Ontario Securities Commission (“Staff”) that RWS’s registration be suspended, pursuant to s. 28 of the Act.

2. As more particularly described in this Settlement Agreement, RWS has failed to comply with the working capital and financial reporting requirements of Part 12 of National Instrument 31-103 *Registration Requirements, Exemptions, and Ongoing Registrant Obligations* (“NI 31-103”) for its financial years ending December 31, 2017, and December 31, 2018, and is not suitable for ongoing registration because it is capital deficient.

3. In addition, RWS failed to respond on a timely basis to repeated inquiries made by Staff concerning its compliance with its regulatory obligations under Part 12 of NI 31-103.

4. RWS and Staff agree that it is appropriate that RWS’s registration be suspended, and the parties have agreed to make a joint recommendation to the Director regarding the suspension of RWS’s registration.

## II. AGREED STATEMENT OF FACTS

5. The parties agree to the facts as stated below.

### A. The Registrant

6. RWS became registered under the Act as a limited market dealer on May 11, 2004, and on September 28, 2009, its registration category was transitioned to exempt market dealer.

7. Stonehouse is the only registered or permitted individual that RWS has ever had, and is its ultimate designated person, chief compliance officer, and dealing representative. Stonehouse is solely responsible for directing the affairs of RWS, and all communications between Staff and RWS referred to herein, unless expressly stated otherwise, were sent or received by Stonehouse.

8. RWS's financial year end is December 31.

### A. RWS's History of Non-Compliance with Financial Reporting Rules (2015 and 2016)

9. Subsection 12.12(1) of NI 31-103 requires registered dealers, like RWS, to deliver their audited annual financial statements and a completed Form 31-103F1 *Calculation of Excess Working Capital* ("Form F1") as at the end of their financial year within 90 days of the end of that financial year.

10. In 2016, RWS was late in delivering its audited financial statements and Form F1 for its financial year ending December 31, 2015, and as a result it was charged a late fee in accordance with OSC Rule 13-503 *Fees*.

11. In 2017 RWS was late in delivering its audited financial statements and Form F1, this time for the financial year ending December 31, 2016. As with the previous year, the firm was charged a late fee.

**B. Staff's Efforts to Obtain 2017 Financial Reporting from RWS**

12. RWS's audited financial statements and Form F1 for the financial year ending December 31, 2017 were due on April 2, 2018 (the ninetieth day, March 31, being a Saturday).

13. RWS did not deliver either its 2017 audited financial statements or its 2017 Form F1 by April 2, 2018. Staff followed up with RWS in writing on April 19, May 28, July 26, and November 12, 2018 asking it to deliver the missing material. RWS responded to one of these inquiries. On May 28, 2018, RWS informed Staff that it would attend to the production of the missing material immediately.

14. At the end of 2018, the 2017 audited financial statements and Form F1 were still outstanding.

**C. Staff's Efforts to Obtain 2018 Financial Reporting from RWS**

15. RWS's audited financial statements and Form F1 for the financial year ending December 31, 2018 were due on April 1, 2019 (the ninetieth day, March 31, being a Sunday).

16. RWS did not deliver its 2018 audited financial statements or Form F1 by April 1, 2019 (and its materials for the previous year were still outstanding at the time as well). As a result, Staff followed up with RWS in writing on April 22, May 6, and June 25, 2019. The only response Staff received to any of these inquiries came on May 9, 2019, when RWS's auditor sent

an email to Staff that said: “RWS Capital Services’ financial statement audits are currently underway and reports will be available very shortly.”

#### **D. Final Warning by Staff**

17. On October 4, 2019, Staff sent a letter to RWS summarizing Staff’s efforts to obtain RWS’s audited financial statements and Form F1s for 2017 and 2018, and warning it about the consequences of the firm’s failure to comply with its reporting obligations. This letter specifically informed RWS that unless RWS brought itself into compliance with its financial reporting obligations by October 21, 2019, Staff would recommend to the Director that the firm’s registration be suspended.

18. RWS did not provide the outstanding financial reporting by October 21, 2019.

19. RWS states that Stonehouse's ability to attend to its affairs was impacted by significant health concerns suffered by Stonehouse throughout 2019.

#### **E. Notification of Regulatory Action and Eventual Delivery of Financial Statements**

20. On December 4, 2019, Staff sent a letter to RWS informing it that Staff had recommended that RWS’s registration be suspended because of its repeated failure to comply with its financial reporting obligations.

21. By way of a letter dated December 9, 2019, RWS requested an opportunity to be heard in relation to Staff’s recommendation that its registration be suspended. Also by way of a letter dated December 9, 2019, RWS delivered the audited financial statements for 2017 and 2018. RWS cited a change in auditor and Stonehouse’s own health issues as the reasons for the very late delivery of these financial statements.

## **F. RWS's Capital Deficiency**

22. Around the time it delivered the outstanding 2017 and 2018 audited financial statements, RWS also delivered a Form F1 for each year, which showed that the firm had excess working capital at December 31, 2017, and December 31, 2018, respectively.

23. Staff reviewed RWS's audited financial statements for 2017 and 2018, and determined that, in fact, the firm had failed to meet the minimum working capital requirement as at December 31, 2017 and December 31, 2018.

24. In its Form F1 for both 2017 and 2018, RWS included among its current assets a "due from shareholder" item. In both cases, the notes to the financial statements described these "due from shareholder" items as: "unsecured, non-interest bearing and have no fixed repayment terms". Because these items had no fixed repayment terms, they could not properly be included as a "current asset" for working capital purposes.

25. After deducting these "due from shareholder" items, RWS's working capital of less than zero as at December 31, 2017 and December 31, 2018, respectively.

26. At no time did RWS notify Staff that the firm failed to meet the minimum working capital requirement, as required by s. 12.1(1) of NI 31-103.

## **III. ADMISSIONS BY RWS**

27. RWS admits that by failing to deliver its audited financial statements and Form F1 for the financial year ending December 31, 2017 and December 31, 2018 within 90 days of the end of the financial year, it failed to comply with s. 12.12 of NI 31-103.

28. RWS admits that by failing to notify Staff that its working capital, as calculated in accordance with Form F1, was less than zero, it failed to comply with s. 12.1(1) of NI 31-103.

29. RWS admits that its working capital, as calculated in accordance with Form F1, was less than zero for two consecutive days, contrary to s. 12.1(2) of NI 31-103.

30. RWS admits that because its working capital, as calculated in accordance with Form F1, is less than zero, it is not suitable for ongoing registration because it does not have the requisite solvency.

31. RWS admits that it did not respond in a timely way to inquiries from Staff regarding its compliance with its financial reporting obligations.

#### **IV. JOINT RECOMMENDATION**

32. The parties jointly recommend to the Director that RWS's registration be suspended pursuant to s. 28 of the Act. RWS has also represented to Staff that it intends to apply to surrender its registration.

33. The parties submit that their joint recommendation is appropriate for the following reasons:

(a) RWS has a prolonged pattern of non-compliance with the financial reporting requirements of NI 31-103; and

(b) RWS does not currently meet the solvency requirement for ongoing registration.

34. The parties acknowledge that if the Director does not accept this joint recommendation:

(a) This settlement agreement and all related negotiations between the parties shall be without prejudice.

- (b) RWS will be entitled to continue the opportunity to be heard that it has requested in respect of Staff's recommendation that its registration be suspended by the Director.

"Robert Wallace"

Robert Wallace Stonehouse, for RWS  
Capital Services Inc.

"Elizabeth King"

Elizabeth King  
Deputy Director  
Compliance and Registrant Regulation

March 5, 2020

Date

March 6, 2020

Date