



CIRO · OCRI

Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

Order

File No. 202247

**IN THE MATTER OF
THE MUTUAL FUND DEALER RULESⁱ
and
Zahir Hussain Lehri**

ORDER

WHEREAS on October 13, 2022, the Mutual Fund Dealers Association of Canada (the “MFDA”) issued a Notice of Hearing pursuant to sections 20 and 24 of MFDA By-law No. 1 (now Mutual Fund Dealer Rules 7.3 and 7.4) in respect of a disciplinary proceeding commenced against Zahir Hussain Lehri (the “Respondent”);

AND WHEREAS on January 1, 2023, the MFDA and the Investment Industry Regulatory Organization consolidated to form the New Self-Regulatory Organization of Canada (now called the Canadian Investment Regulatory Organization);

AND WHEREAS on November 13, 2023, January 11, 2024, and March 7 2024, a hearing on the merits was conducted before a hearing panel of the Ontario District Hearing Committee (the “Hearing Panel”) electronically by videoconference;

AND UPON reading the affidavits and other documentary evidence filed by the parties and the written submissions of the parties and hearing the testimony of witnesses called by the parties and the oral submissions of the parties, the Hearing Panel is of the opinion that the Respondent:

- a. between May 2015 and August 2018, the Respondent allowed an Approved Person who was not registered with the Member to:

- (i) open new accounts at the Member for clients;
- (ii) complete and submit for processing Know-Your-Client forms;
- (iii) implement a leveraging strategy for these clients using false or inaccurate client financial documentation; and
- (iv) process trades in the accounts of these clients using the Respondent's representative code;

thereby facilitating stealth advising by the other Approved Person, contrary to MFDA Rules 1.1.1 and 2.1.1;

- b. commencing May 2017, the Respondent misappropriated or failed to account for monies received from a client and another individual, contrary to MFDA Rule 2.1.1; and
- c. commencing October 2020, the Respondent failed to cooperate with an investigation into his conduct by Staff of the MFDA, contrary to section 22.1 of MFDA By-law No. 1.

AND WHEREAS on August 30, 2024 and September 5, 2024, a penalty hearing was conducted before the Hearing Panel electronically by videoconference;

AND UPON reading the documentary evidence filed by the Respondent, reading the written submissions of the parties, and hearing the oral submissions of the parties;

IT IS HEREBY ORDERED THAT:

1. The Respondent is permanently prohibited from conducting securities related business in any capacity while in the employ of or associated with any CIRO Dealer Member registered as a mutual fund dealer commencing on the date of this Order, pursuant to s. 24.1.1(e) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(e)).
2. The Respondent shall pay a fine of \$185,523 on the date of this Order, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(b)), comprising:

- a. an amount sufficient to disgorge \$35,523, being the amount obtained by the Respondent from his contravention of the MFDA Rules;
 - b. a fine of \$50,000 on account of Allegation #1;
 - c. a fine of \$50,000 on account of Allegation #2; and
 - d. a fine of \$50,000 on account of Allegation #3; and
3. The Respondent shall pay costs in the amount of \$25,000 on the date of this Order, pursuant to s. 24.2 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.2);
4. If at any time a non-party to this proceeding, with the exception of the bodies set out in Mutual Fund Dealer Rule 6.3, requests production of or access to exhibits in this proceeding that contain personal information as defined by CIRO's Privacy Policy, then the CIRO Hearing Office shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all intimate financial and personal information, pursuant to Rules 1.8(2) and (5) of the Mutual Fund Dealer Rules of Procedure.

DATED this 22nd day of October 2024.

"Emily Cole"

Emily Cole,
Chair

"Rob Christianson"

Rob Christianson,
Industry Representative

"Cheryl Hamilton"

Cheryl Hamilton,
Industry Representative

ⁱ On January 1, 2023, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association of Canada (the “MFDA”) were consolidated into a single self-regulatory organization recognized under applicable securities legislation that is called the Canadian Investment Regulatory Organization (referred to herein as “CIRO”). CIRO adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the “Interim Rules”). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation have been incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules. Pursuant to Mutual Fund Dealer Rule 1A and s.14.6 of By-Law No. 1 of CIRO, contraventions of former MFDA regulatory requirements may be enforced by CIRO. Pursuant to Mutual Fund Dealer Rule 1A, MFDA By-law No. 1 continues to be applicable to this proceeding.