

# Re Baggs

**IN THE MATTER OF:**

**The Mutual Fund Dealer Rules**

**and**

**Sabrina Antonia Baggs**

2024 CIRO 85

Canadian Investment Regulatory Organization  
Hearing Panel (Ontario District)

Heard: September 13, 2024 by electronic hearing in Toronto, Ontario

Decision: September 13, 2024

Reasons for Decision: December 4, 2024

**Hearing Panel:**

Deborah Anshell, Chair

Edward Jackson, Industry Representative

Paul Bourque, Industry Representative

**Appearances:**

Maria Abate, Enforcement Counsel

Lisa Feinberg for Sabrina Baggs

Sabrina Baggs (Present)

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## REASONS FOR DECISION ON ACCEPTANCE OF SETTLEMENT

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### INTRODUCTION

¶ 1 On August 19, 2024, CIRO and the Respondent signed a Settlement Agreement regarding facts in respect of which the hearing Panel could impose disciplinary sanctions on the Respondent.

¶ 2 The issue is whether the Panel should accept or reject the proposed settlement. In other words, are the proposed settlement terms reasonable in this case?

### ANALYSIS

¶ 3 The contraventions alleged by CIRO, and admitted to by the Respondent in the Settlement Agreement, attached to this Decision to form an integral part hereof, are as follows:

- (a) Between November 6, 2019, and February 27, 2020, the Respondent set up and cancelled pre-authorized contributions in the accounts of clients without their knowledge or authorization, in order to meet sales targets or to increase her compensation based on the dealer member's sales incentives, contrary to mutual fund dealer Rule 2.1.1.
- (b) The Respondent set up and cancelled approximately 51 PACS in the accounts of 40 clients without the clients' knowledge or authorization.
- (c) In all of the 51 instances, the Respondent cancelled the PACs before any contributions into the investment accounts of the clients had commenced. By cancelling the PACs prior to the start date

of the contributions, the Respondent obtained the sales revenue generated by establishing the PACs, even though no contributions were made into the client investment accounts through the PAC.

- (d) The Respondent established the 51 unauthorized PACs in order to obtain additional sales revenue credited towards achieving her sales targets at the Dealer Member. The Respondent's sales revenue was used by the Dealer Member in part to calculate her annual bonus for 2019 through to 2022.

¶ 4 The agreed penalties were:

- (a) The Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with a CIRO Dealer Member for a period of 12 months, commencing on the date that this settlement agreement is accepted by the Hearing Panel, pursuant to Mutual Fund Dealer Rule 7.4.1.1(c);
- (b) The Respondent shall pay a fine of \$20,000 (the "Fine"), pursuant to Mutual Fund Dealer Rule 7.4.1.1(b);
- (c) The Respondent shall pay costs of \$5,000 (the "Costs"), pursuant to Mutual Fund dealer Rule 7.4.2;
- (d) The payment by the Respondent of the Fine and Costs shall be paid to CIRO as follows:
- a. \$5,000 (costs) shall be paid in certified funds upon acceptance of the Settlement Agreement;
  - b. \$7,500 (fine) shall be paid in certified funds upon acceptance of the Settlement Agreement;
  - c. \$3,125 (fine) shall be paid in certified funds on or before the last business day of the month following the acceptance of the Settlement Agreement;
  - d. \$3,125 (fine) shall be paid in certified funds on or before the last business day of the second month following the acceptance of the Settlement Agreement;
  - e. \$3,125 (fine) shall be paid in certified funds on or before the last business day of the third month following the acceptance of the Settlement Agreement; and
  - f. \$3,125 (fine) shall be paid in certified funds on or before the last business day of the fourth month following the acceptance of the Settlement Agreement.
- (e) If the Respondent fails to make any of the payments of the Costs and Fine described about in sub-paragraph 5(d) when the payments become due, then the unpaid balance of the Fine and Costs owed by the Respondent shall immediately become due and payable to CIRO.
- (f) The Respondent shall in the future comply with Mutual Fund Dealer Rule 2.1.1.

¶ 5 The panel determined that it had to be satisfied regarding three considerations before it could accept the settlement agreement. First, the agreed penalties had to be within an acceptable range taking into account similar cases. Second, the agreed penalties had to be fair and reasonable. Third, the agreement penalties should serve as a deterrent to the respondent and to the industry, *Re Donnelly* 2016 IIROC 23.

¶ 6 We reviewed four precedent cases submitted by the parties and compared the agreed penalties in the settlement agreement with the types of settlements presented in those cases. We also reviewed the facts and circumstances of this particular Settlement Agreement before us. Further, we reviewed the CIRO Sanction Guidelines that sets forth the key factors to consider when determining appropriate sanctions.

¶ 7 We took note of the following mitigating factors:

- (a) By entering into the Settlement Agreement, the Respondent has accepted responsibility for her actions, and has saved CIRO the time, resources and expenses associated with conducting a contested disciplinary hearing on the merits;

- (b) The Respondent has been an Approved Person for 26 years prior to the events described in the Settlement Agreement and had not previously been the subject of disciplinary proceedings commenced by the MFDA or CIRO.
- (c) There is no evidence of financial loss to clients resulting from the Respondent's conduct. No clients have complained to the Dealer Member or Staff.

## CONCLUSION

¶ 8 We concluded that the agreed penalties were within an acceptable range based on precedents. Further, the settlement would serve as a specific and general deterrent. Finally, the settlement is fair and reasonable. Therefore, we accepted it.

**Dated** at Toronto, Ontario this 4<sup>th</sup> day of December 2024.

"Deborah Anshell"  
Deborah Anshell, Chair

"Edward Jackson"  
Edward Jackson, Industry Representative

"Paul Bourque"  
Paul Bourque, Industry Representative

## Appendix "A" Settlement Agreement

### IN THE MATTER OF:

**The Mutual Fund Dealer Rules<sup>i</sup>**

**and**

**Sabrina Antonia Baggs**

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## SETTLEMENT AGREEMENT

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### 1. INTRODUCTION

¶ 1 The Canadian Investment Regulatory Organization, a consolidation of IROC and the MFDA ("CIRO") will announce that it proposes to hold a hearing (the "Settlement Hearing") to consider whether, pursuant to Mutual Fund Dealer Rule 7.4.4.3, a hearing panel of the Ontario District Hearing Committee (the "Hearing Panel") of CIRO should accept the settlement agreement (the "Settlement Agreement") entered into between Staff of CIRO ("Staff") and Sabrina Antonia Baggs (the "Respondent").

¶ 2 Staff and the Respondent, consent and agree to the terms of this Settlement Agreement.

¶ 3 Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.

### 2. CONTRAVENTIONS

¶ 4 The Respondent admits to the following violations of the Mutual Fund Dealer Rules:

Between November 6, 2019 and February 27, 2020, the Respondent set up and cancelled pre-authorized contributions in the accounts of clients without their knowledge or authorization, in order to meet sales targets or to increase her compensation based on the Dealer Member's sales incentives, contrary to Mutual Fund Dealer Rule 2.1.1.

### 3. TERMS OF SETTLEMENT

¶ 5 Staff and the Respondent agree and consent to the following terms of settlement:

- (a) the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with a CIRO Dealer Member for a period of 12 months, commencing on the date that this settlement agreement is accepted by a Hearing Panel, pursuant to Mutual Fund Dealer Rule 7.4.1.1(c);
- (b) the Respondent shall pay a fine of \$20,000 (the "Fine"), pursuant to Mutual Fund Dealer Rule 7.4.1.1(b);
- (c) the Respondent shall pay costs of \$5,000 (the "Costs"), pursuant to Mutual Fund Dealer Rule 7.4.2;
- (d) the payment by the Respondent of the Fine and Costs shall be paid to CIRO as follows:
  - a. \$5,000 (costs) shall be paid in certified funds upon acceptance of the Settlement Agreement;
  - b. \$7,500 (fine) shall be paid in certified funds upon acceptance of the Settlement Agreement;
  - c. \$3,125 (fine) shall be paid in certified funds on or before the last business day of the month following the acceptance of the Settlement Agreement;
  - d. \$3,125 (fine) shall be paid in certified funds on or before the last business day of the second month following the acceptance of the Settlement Agreement;
  - e. \$3,125 (fine) shall be paid in certified funds on or before the last business day of the third month following the acceptance of the Settlement Agreement; and
  - f. \$3,125 (fine) shall be paid in certified funds on or before the last business day of the fourth month following the acceptance of the Settlement Agreement.
- (e) if the Respondent fails to make any of the payments of the Costs and Fine described above in sub-paragraph 5(d) when the payments become due, then the unpaid balance of the Fine and Costs owed by the Respondent shall immediately become due and payable to CIRO;
- (f) the Respondent shall in the future comply with Mutual Fund Dealer Rule 2.1.1; and
- (g) the Respondent shall attend on the date set for the Settlement Hearing.

¶ 6 The Respondent consents to the Hearing Panel making a confidentiality order on the following terms:

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 Corporate Secretary's Office, Mutual Fund Dealer Division of CIRO 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.

¶ 7 Staff and the Respondent agree to the settlement on the basis of the facts set out in this Settlement Agreement herein.

### 4. AGREED FACTS

#### Registration History

¶ 8 From 1997 to January 3, 2023, the Respondent was registered in the securities industry.

¶ 9 From June 7, 2002 to January 3, 2023, the Respondent was registered in Ontario as a dealing representative with Scotia Securities Inc. (the “Dealer Member”), a Dealer Member of CIRO (formerly a Member of the MFDA).

¶ 10 On January 3, 2023, the Respondent resigned from the Dealer Member and is not currently registered in the securities industry in any capacity.

¶ 11 At all material times, the Respondent carried on business in Markham, Ontario.

#### **Unauthorized Establishing and Cancelling of Pre-Authorized Contributions**

¶ 12 A pre-authorized contribution (“PAC”) is a type of trade authorized by a client whereby the client arranges for recurring contributions to be made from the client’s bank account or similar account to the client’s investment account at the Dealer Member and instructs the Dealer Member to use the contributions to purchase one or more pre-selected mutual funds in the client’s investment account.

¶ 13 As part of the process for establishing or amending PACs in client accounts, the Approved Person must complete an Investment Direction Form (“IDF”) for the client account that includes the date of the client instruction, the contribution details and a description of the mutual fund to be purchased through the PAC.

¶ 14 In circumstances where an Approved Person receives a PAC request from a client by telephone, fax, or email, the Approved Person must document additional information in respect of the instructions received from the client as part of the IDF.

¶ 15 At all material times, the Dealer Member maintained a sales incentive program whereby an Approved Person’s performance and bonus were evaluated based on sales revenue generated by, among other things, the establishment of PACs. Prior to the 2019 fiscal year, sales revenue was known as Sales Dollars and Sales Revenue Dollars (SRDs) and, thereafter, as Customer Advice Results (“CARs”).

¶ 16 During the material time of the Respondent’s conduct described herein, the Dealer Member’s practice was to award SRDs or CARs for the full PAC amount upon the establishment or creation of the client PAC.

¶ 17 Between November 6, 2019 and February 27, 2022, the Respondent set up and cancelled approximately 51 PACs in the accounts of 40 clients without the clients’ knowledge or authorization.

¶ 18 In all instances, the Respondent created IDFs that falsely indicated that the clients had approved the purchase of the PACs within their account through the process described above. During this time, the Dealer Member’s policies and procedures prohibited its Approved Persons from creating false or misleading records.

¶ 19 The details of the unauthorized PACs established by the Respondent using IDF forms and client notes containing false or misleading information are as follows:

<b>PAC #</b>	<b>Client</b>	<b>PAC Setup Date</b>	<b>PAC Cancellation Date</b>
1	IB	06-Nov-2019	30-Dec-2019
2	DB	06-Feb-2020	18-Dec-2020
3	DB	13-Nov-2019	28-Dec-2019
4	CC	16-Nov-2019	8-Jan-2020
5		16-Nov-2019	13-Jan-2020
6	YC	20-Jan-2020	14-Feb-2020
7		20-Jan-2020	20-Feb-2020
8	FC	17-Jan-2020	3-Apr-2020
9		23-Jan-2020	19-Mar-2020
10	SC	17-Jan-2020	6-Apr-2020
11		23-Jan-2020	17-Dec-2020
12	YC	17-Jan-2020	20-Mar-2020
13		04-Feb-2020	21-Feb-2020

PAC #	Client	PAC Setup Date	PAC Cancellation Date
14	TCP	12-Feb-2020	2-Jun-2020
15	NC	17-Jan-2020	3-Mar-2020
16	KC	11-Feb-2020	24-Jun-2020
17	JD	13-Nov-2019	6-Feb-2020
18		27-Feb-2020	3-Apr-2020
19	RD	18-Nov-2019	27-Dec-2019
20	JF	04-Nov-2019	8-Jan-2020
21	BG	11-Feb-2020	17-Dec-2020
22	EH	20-Feb-2020	14-Oct-2020
23	SH	21-Jan-2020	11-Mar-2020
24	TH	21-Jan-2020	11-Mar-2020
25	RK	06-Jan-2020	10-Jan-2020
26	DK	25-Nov-2019	7-Jan-2020
27		28-Nov-2019	28-Dec-2019
28	OK	07-Jan-2020	19-Mar-2020
29	ML	05-Dec-2019	2-Jan-2020
30	CLS	18-Feb-2020	27-Mar-2020
31	NM	20-Mar-2020	25-Mar-2020
32	LM	02-Dec-2019	18-Dec-2019
33	NM	21-Feb-2020	18-Dec-2020
34	AN	14-Nov-2019	3-Mar-2020
35	MP	18-Feb-2020	19-Mar-2020
36	PP	17-Jan-2020	16-Dec-2020
37	AR	24-Feb-2020	17-Dec-2020
38	NR	24-Feb-2020	17-Dec-2020
39	AR	09-Dec-2019	8-Jan-2020
40		19-Feb-2020	16-Dec-2020
41	AS	04-Nov-2019	10-Feb-2020
42		03-Jan-2020	13-Mar-2020
43	HS	04-Nov-2019	10-Feb-2020
44	DS	19-Feb-2020	16-Dec-2020
45	SS	07-Feb-2020	17-Dec-2020
46			17-Dec-2020
47			17-Dec-2020
48	HS	03-Feb-2020	3-Apr-2020
49	MW	28-Nov-2019	28-Jan-2020
50	AW	18-Nov-2019	28-Nov-2019
51	KW	05-Dec-2019	9-Mar-2020

¶ 20 In all of the above 51 instances, the Respondent cancelled the PACs before any contributions into the investment accounts of the clients had commenced. By cancelling the PACs prior to the start date of the contributions, the Respondent obtained the sales revenue generated by establishing the PACs, even though no

contributions were made into the client investment accounts through the PAC.

¶ 21 The Respondent established the 51 unauthorized PACs in order to obtain additional sales revenue credited towards achieving her sales targets at the Dealer Member. The Respondent's sales revenue was used by the Dealer Member in part to calculate her annual bonus for 2019 through to 2022.

#### **Additional Factors**

¶ 22 There is no evidence of any client financial loss and no clients have complained to the Dealer Member or CIRO.

¶ 23 The Respondent has not previously been the subject of MFDA or CIRO disciplinary proceedings.

¶ 24 The Dealer Member issued a warning letter to the Respondent for her misconduct, imposed a one-year period of strict supervision and required the Respondent to complete an industry course.

¶ 25 The Respondent's sales revenue generated, in part, by the conduct described above, was used to determine the Respondent's bonus. Due to the fact that sales revenue is only one factor used by the Dealer Member to determine the bonus, the exact amount of the bonus attributable to the conduct could not be quantified by the Dealer Member.

¶ 26 By entering into this Settlement Agreement, the Respondent has saved CIRO the time, resources and expenses associated with conducting a contested hearing of the allegations.

#### **5. ADDITIONAL TERMS OF SETTLEMENT**

¶ 27 This settlement is agreed upon in accordance with Mutual Fund Dealer Rule 7.4.4 and Rules 14 and 15 of the Mutual Fund Dealer Rules of Procedure.

¶ 28 The Settlement Agreement is subject to acceptance by the Hearing Panel. At or following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement. Settlement Hearings are typically held in the absence of the public pursuant to Mutual Fund Dealer Rule 7.3.5 and Rule 15.2(2) of the Mutual Fund Dealer Rules of Procedure. If the Hearing Panel accepts the Settlement Agreement, then the proceeding will become open to the public and a copy of the decision of the Hearing Panel and the Settlement Agreement will be made available at [www.ciro.ca](http://www.ciro.ca).

¶ 29 The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel. Unless otherwise agreed, any monetary penalties and costs imposed upon the Respondent are payable immediately, and any suspensions, revocations, prohibitions, conditions or other terms of the Settlement Agreement shall commence, upon the effective date of the Settlement Agreement.

¶ 30 Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel:

- (a) the Settlement Agreement will constitute the entirety of the evidence to be submitted at the settlement hearing, subject to Rule 15.3 of the Mutual Fund Dealer Rules of Procedure;
- (b) the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal, including before the Board of Directors of CIRO or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction;
- (c) except for any proceedings commenced to address an alleged failure to comply with this Settlement Agreement, Staff will not initiate any proceeding under the Mutual Fund Dealer Rules against the Respondent in respect of the facts and contraventions described in this Settlement Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any facts and contraventions that are not set out in this Settlement Agreement, whether known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations;

- (d) the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to Mutual Fund Dealer Rule 7.4.1.1 for the purpose of giving notice to the public thereof in accordance with Mutual Fund Dealer Rule 7.4.5; and
- (e) neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against the Respondent.

¶ 31 If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under Mutual Fund Dealer Rule 7.4.3 against the Respondent based on, but not limited to, the facts set out in this Settlement Agreement, as well as the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the proceeding(s) may be heard and determined by a hearing panel comprised of all or some of the same members of the Hearing Panel that accepted the Settlement Agreement, if available.

¶ 32 If, for any reason, this Settlement Agreement is not accepted by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to Mutual Fund Dealer Rules 7.3 and 7.4, unaffected by the Settlement Agreement or the settlement negotiations.

¶ 33 The terms of this Settlement Agreement will be treated as confidential by the parties hereto until accepted by the Hearing Panel, and forever if, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel, except with the written consent of both the Respondent and Staff or as may be required by law. The terms of the Settlement Agreement will be released to the public if and when the Settlement Agreement is accepted by the Hearing Panel.

¶ 34 The Settlement Agreement may be signed in one or more counterparts, which together shall constitute a binding agreement. A facsimile or electronic copy of any signature shall be as effective as an original signature.

**DATED** this 19th day of August, 2024.

“Sabrina Antonia Baggs”

Sabrina Antonia Baggs

“Witness”

Witness - Signature

“Witness”

Witness - Print name

“Maria L. Abate”

Staff of the Canadian Investment Regulatory Organization

Maria L. Abate, Enforcement Counsel

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<sup>i</sup> 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.