Re Hodge

IN THE MATTER OF:

The Mutual Fund Dealer Rules

and

Jacqueline Lynn Hodge

2025 CIRO 06

Canadian Investment Regulatory Organization
Hearing Panel (Alberta District)

Heard: January 22, 2025, in Calgary, Alberta
Decision: January 22, 2025
Reasons for Decision: January 24, 2025

Hearing Panel:
Don Young K.C., Chair
Patricia Rigsby, Industry Representative
Birju Shah, Industry Representative

Appearances:
Eric Chow, Enforcement Counsel
Christina Borbely, Counsel for the Respondent
Jacqueline Lynn Hodge, Respondent (Present)

REASONS FOR DECISION ON ACCEPTANCE OF SETTLEMENT

INTRODUCTION

[1] The Canadian Investment Regulatory Organization ("CIRO") held a hearing by videoconference to determine whether, pursuant to Mutual Fund Dealer Rule 7.4.4, a Hearing Panel of the Alberta District Hearing Committee should accept the Settlement Agreement entered into between Staff of CIRO ("Staff") and Jacqueline Lynn Hodge ("Respondent") on December 20, 2024.

[2] In the Settlement Agreement, the Respondent admitted to the following misconduct:

a) Between June 17, 2021 and May 4, 2022, opening three client accounts, processing transactions, and recording a client's Know Your Client information, based on instructions of someone other than the client or without the client's authorization, contrary to MFDA Rules 2.1.1 and 2.2.1, and

b) Between July 22, 2021 and April 14, 2022, signing the signature of a client on two documents and permitting someone other than the client to sign a client's signature on a document, contrary to MFDA Rule 2.1.1.

[3] The sanctions agreed upon in the Settlement Agreement were that the Respondent shall:

a) Be prohibited from acting as branch manager or in a supervisory capacity while in the employ of or associated with any Dealer Member of CIRO for a period of 6 months, pursuant to Mutual Fund Dealer Rule 7.4.1.1(f),

b) Pay a fine in the amount of $15,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to Mutual Fund Dealer Rule 7.4.1.1(b),

c) Pay costs in the amount of $5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to Mutual Fund Dealer Rule 7.4.2,

d) In the future comply with Mutual Fund Dealer Rules 2.1.1 and 2.2.1, and

e) Attend by videoconference on the date set for the Settlement Hearing.

[4] At the conclusion of the Settlement Hearing, and after careful consideration by the Hearing Panel of all the materials before it, the Settlement Agreement was accepted, with reasons to follow. These are the Hearing Panel's reasons.

FACTS

[5] The facts in this matter are more fully detailed in the Settlement Agreement and, to a lesser extent, in the CIRO Submissions. For the purposes of these reasons, the relevant facts are summarized as follows:

a) The Respondent has been registered with her Slave Lake, Alberta, Dealer Member since October 12, 2016. She served as branch manager with that Dealer Member for approximately four years, from October 2018 until July 2022. Spouses CS and DS were clients of the Dealer Member at all material times.

b) In 2021, the Respondent accepted and acted upon instructions from DS to transfer CS's pension to the Dealer Member. In doing so, the Respondent had to open three new accounts for CS, with corresponding New Account Application Forms ("NAAFs") and Know Your Client ("KYC") information. The Respondent opened these accounts without speaking to CS, and permitted DS to sign CS's signature on the NAAFs. A letter of direction from CS was later needed to effect the transfer, and the Respondent both prepared the letter on behalf of CS (without CS's authorization) and signed CS's signature on it.

c) CS subsequently complained to the Dealer Member about the Respondent's actions. Through its investigation of the complaint, the Dealer Member determined that CS was aware that DS had met with the Respondent to discuss the transfer of CS's pension and the opening of accounts. The Dealer Member paid CS $6,000 for a loss associated with a delay in the transfer to it of CS's pension funds. The Respondent reimbursed the Dealer Member for the $6,000 it paid to CS.

d) The Respondent voluntarily resigned her branch manager position with the Dealer Member in July 2022 in response to its investigation, thereby losing the compensation associated with that position. The Respondent was also placed on probation, placed under close supervision, and was not eligible for promotion pending the result of this matter. She was also obliged by the Dealer Member to complete the Ethics and Standard of Conduct and Branch Manager's Examination courses, which she did.

ANALYSIS

[6] A hearing panel tasked with reviewing a settlement agreement can either accept or reject it – it cannot modify or make changes to the agreement reached by the parties (Mutual Fund Dealer Rule 7.4.4.3). In performing that task, the panel's standard of review is well settled, asking the question are

the sanctions within a "reasonable range of appropriateness"[1] A settlement must not be rejected unless the panel views the penalty crafted by the parties as clearly falling outside of that reasonable range.

[7] Reasonable settlements serve several public interest and related goals. Firstly, settlements are both more efficient and concluded in a timelier fashion than a contested hearing, freeing up administrative resources for other matters. Secondly, Staff and respondents are intimately familiar with all the facts of the case and are thereby better positioned than a hearing panel to agree and compromise, as appropriate. Panels receive the evidence essential to determining fault and consequence, but it is only a fraction of the story. Lastly, a settlement avoids the uncertainty of outcome to both parties that flows from the presentation and consideration of evidence in a contested hearing.

[8] In assessing the fairness and reasonableness of the Settlement Agreement and its consequences, the Hearing Panel had regard to the CIRO Sanction Guidelines. While the Guidelines are merely that – guides – they provide a framework and principles for evaluating and assessing the appropriate disposition to be applied in disciplinary and settlement proceedings such as this. Among other principles, the Guidelines consider past sanctions in similar circumstances and aggravating and mitigating factors in the matter at hand.

[9] A review of sanctions in similar circumstances shows that the financial penalties in this case are in the "reasonable range of appropriateness". The $15,000 in fines and $5,000 in costs agreed upon by the parties approximates those levied in previous cases (authorities provided to the Hearing Panel reveal a range of fines of $12,500-$16,000, and costs of $2,500-$5,000). While no two cases are the same, there is ample support in the precedents provided to justify the chosen penalties.

[10] Similarly, the aggravating and mitigating circumstances of this case do not demand a departure from the sanctions represented in the Settlement Agreement.

Aggravating Factors

- The scope of the misconduct is troubling, signing a client's name without her knowledge is serious.
- Failure to comply with KYC obligations is similarly a serious matter.
- Branch managers ought to know better, and lead by example.

Mitigating Factors

- The Respondent has no prior disciplinary history.
- There was little gain to the Respondent, and the small loss to the client was reimbursed by the Member Dealer (which was then, in turn, reimbursed by the Respondent).
- The Respondent was subject to internal discipline by the Dealer Member, with a loss of position and promotion, probation and close supervision, and the obligation to complete industry courses.
- The Respondent cooperated with the Dealer Member investigation.

[11] As the Guidelines provide, in Part I – Sanction Principles, in heading 1., sanctions are "preventative in nature and should protect the public, strengthen market integrity, and improve business standards". They must be significant enough to prevent and discourage future similar conduct by the

[1] Milewski (Re), [1999] I.D.A.C.D. No. 17, at p. 10

Respondent and deter such conduct by other individuals in comparable circumstances. The Hearing Panel views the sanctions agreed upon by the parties as effecting these dual goals of specific and general deterrence. There is censure and consequence for the Respondent, but not disproportionate to the facts and circumstances of the case.

CONCLUSION

[12] The Hearing Panel, after considering the facts of the case, the authorities provided, the CIRO Sanction Guidelines, and the oral and written submissions of the parties, accepts the Settlement Agreement.

Dated at Calgary this 24th day of January 2025.

"Don Young"

Don Young K.C., Chair

"Patricia Rigsby"

Patricia Rigsby, Industry Representative

"Birju Shah"

Birju Shah, Industry Representative

IN THE MATTER OF

THE MUTUAL FUND DEALER RULES[i]

and

Jacqueline Lynn Hodge

Settlement Agreement

I. INTRODUCTION

1. The Canadian Investment Regulatory Organization, a consolidation of IIROC 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 Alberta District Hearing Committee (the "Hearing Panel") of CIRO should accept the settlement agreement (the "Settlement Agreement") entered into between Staff of CIRO ("Staff") and Jacqueline Lynn Hodge (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.

II. CONTRAVENTIONS

4. The Respondent admits to the following violations:[1]

   (a) Between June 17, 2021 and May 4, 2022, the Respondent opened three client accounts, processed transactions, and recorded a client's Know Your Client information, based on the instructions of someone other than the client or without the client's authorization, contrary to MFDA Rules 2.1.1 and 2.2.1.

   (b) Between July 22, 2021 and April 14, 2022, the Respondent signed the signature of a client on two documents and permitted someone other than the client to sign a client's signature on a document, contrary to MFDA Rule 2.1.1.

III. TERMS OF SETTLEMENT

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

   (a) The Respondent shall be prohibited from acting as a branch manager or in a supervisory capacity while in the employ of or associated with any Dealer Member of CIRO for a period of 6 months, pursuant to Mutual Fund Dealer Rule 7.4.1.1(f);

[1] On December 31, 2021, amendments to Rule 2.2.1 came into effect. As the conduct addressed in this proceeding commenced prior to the amendment to the Rule and continued after the amendment, the versions of MFDA Rule 2.2.1 that were in effect prior to December 31, 2021 and afterward until May 4, 2022 are applicable this proceeding.

(b) The Respondent shall pay a fine in the amount of $15,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to Mutual Fund Dealer Rule 7.4.1.1(b);

(c) The Respondent shall pay costs in the amount of $5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to Mutual Fund Dealer Rule 7.4.2;

(d) the Respondent shall in the future comply with Mutual Fund Dealer Rule 2.1.1 and 2.2.1; and

(e) the Respondent shall attend by videoconference on the date set for the Settlement Hearing.

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

IV. AGREED FACTS

Registration History

7. The Respondent has been registered in Alberta with PFSL Investments Canada Ltd. (the "Dealer Member") since October 12, 2016.

8. The Respondent was designated as a branch manager by the Dealer Member from October 18, 2018 until July 5, 2022, when she voluntarily resigned from that role.

9. At all material times, the Respondent carried on business in the Slave Lake, Alberta area.

Opening Accounts and Processing Transactions without Speaking with the Client, and Signing the Client's Signature

10. At all material times, clients CS and DS (spouses) were clients of the Dealer Member whose accounts were serviced by the Respondent.

11. In or about early June 2021, client DS contacted the Respondent regarding transferring the value of a pension that client CS held with another financial institution to the Dealer Member.

12. On June 17, 2021, client DS instructed the Respondent to proceed to transfer client CS's pension. The Respondent did not contact client CS in order to discuss the proposed transfer of the pension or obtain authorization from client CS to do so.

13. To facilitate the transfer of client CS's pension monies to the Dealer Member, client CS was required to open accounts at the Dealer Member.

14. Between on or about July 22, 2021 and November 15, 2021, the Respondent opened a locked-in retirement account ("LIRA") and registered retirement savings plan ("RRSP") account for client CS. In particular, the Respondent:

(a) without speaking with client CS, completed client CS' Know Your Client information on two New Account Application Forms ("NAAFs") using information provided by client DS to open the LIRA and RRSP accounts;

(b) permitted client DS to sign client CS's signature on the NAAFs; and

(c) without speaking with client CS, accepted instructions from client DS to transfer $12,167.49 from the proceeds of the client's CS pension transferred into the Dealer Member into the LIRA and $16,224.00 in the RRSP.

15. On November 23, 2021, client CS' former employer informed the Respondent that it required further documentation to facilitate the transfer of the pension, including providing it with personal identification documents for client CS and a letter of direction from client CS to transfer the proceeds of client CS's pension (the "LOD").

16. The Respondent prepared the LOD without speaking with client CS or obtaining her authorization, and signed client CS's signature on it. The Dealer Member's policies and procedures prohibited Approved Persons from signing a client's signature on documentation.

17. On January 2, 2022, the Respondent provided the LOD and copies of the personal identification documents to client CS' former employer.

18. In addition to the two accounts (LIRA and RRSP) the Respondent opened for client CS described above, the Respondent also opened a non-registered account for client CS without the knowledge or authorization of client CS.

19. In particular, on or about April 14, 2022, without speaking with client CS, the Respondent recorded client CS's KYC information on the NAAF for the non-registered account and signed client CS's signature on it. Ultimately, no client monies were transferred to or invested in this account.

20. In May 2022, the Dealer Member received from client CS' former employer the transferred pension monies as follows:

a) $16,261.56 to be deposited into the LIRA; and

b) $10,753.46 to be deposited into the RRSP account.

21. The Respondent received $528.50 in commission for the deposit of the pension monies described above.

The Dealer Member's Investigation

22. On May 10, 2022, client CS complained to the Dealer Member and advised that her signature was signed by the Respondent on the LOD in respect of the LIRA and RRSP account. The Dealer Member paid compensation to the client relating to delay in processing the transfer of pension funds totaling $6,000. The Respondent states and the Dealer Member has advised Staff that the Respondent fully cooperated in the Dealer Member's investigation.

23. The Dealer Member determined through its investigation that client CS was aware that client DS had met with the Respondent about transferring client CS's pension and the opening of the LIRA and RRSP account.

24. The Dealer Member subsequently transferred the accounts of client CS and DS to another Approved Person who obtained new KYC information for client CS in respect of the LIRA and RRSP accounts.

Additional Factors

25. The Respondent states that she is remorseful for her misconduct.

26. In response to the Dealer Member's investigation, the Respondent voluntarily resigned from her position as branch manager on July 5, 2022. As a result of her resignation, the Respondent has not received compensation associated with performing branch manager responsibilities that she previously earned while designated a branch manager.

27. On October 13, 2022, the Dealer Member placed the Respondent on probation where she was not eligible for promotion. The Dealer Member also placed the Respondent under close supervision, which remains ongoing pending resolution of CIRO's proceeding. The Dealer Member has not reported any issues to CIRO arising from the close supervision.

28. The Dealer Member also required the Respondent to: (a) complete the Ethics and Standard of Conduct Course and Branch Managers' Examination Course through IFSE, which the Respondent completed; and (b) repay the Dealer Member the $6,000 it paid as compensation to client CS, which the Respondent has paid.

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

30. 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.

V. ADDITIONAL TERMS OF SETTLEMENT

31. 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.

32. 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.

33. 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.

34. 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 contraventions described in this Settlement Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any 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.

35. 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.

36. 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.

37. 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.

38. The Settlement Agreement may be signed by 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 20th day of December 2024.

"Jacqueline Hodge"

Jacqueline Hodge

"Witness"	"Witness"
Witness - Signature	Witness - Print name

"Eric Chow"
Staff of the Canadian Investment Regulatory Organization
Eric Chow, Enforcement Counsel

[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.