Unofficial English Translation

Re Lann

IN THE MATTER OF:

The Rules of the Investment Industry Regulatory Organization of Canada

and

The By-Laws of the Investment Dealers Association of Canada

and

Ronald Lann

2013 IIROC 09

Investment Industry Regulatory Organization of Canada
Hearing Panel (Quebec District)

Heard: October 31, 2012
Decision: January 14, 2013

Hearing Panel:
Me Claire Richer, Chair, Ms. Danielle Le May, Mr. Gilles Archambault
Appearances:
Me Martin Hovington, Counsel for IIROC, and Mr. Nicolas D'Astous, Investigator
Mr. Ronald Lann, Respondent

DECISION APPROVING A SETTLEMENT AGREEMENT

¶ 1 A hearing was held on October 31, 2012 before a Hearing Panel of the Investment Industry Regulatory Organization of Canada (IIROC) pursuant to the organization's Dealer Member Rules, to consider and, if deemed appropriate, accept a settlement agreement entered into in mid-September 2012 between IIROC Staff and the Respondent (the Agreement) regarding the latter's conduct in respect of three clients (a mother and her two major children who were students), between 2005 and 2008. The Agreement (written and signed in English) is appended hereto and is deemed to be an integral part hereof.

¶ 2 To summarize, the Respondent i) failed to meet two of his clients (the children) and to obtain up-to-date information in their regard, ii) failed to ensure that the orders transmitted by the mother on behalf of herself and her children (by virtue of powers of attorney) were suitable, given their limited knowledge of investing and conservative investment objectives, as well as their low risk tolerance, iii) executed discretionary trades in the accounts of his three clients, whereas the accounts had not been authorized as managed accounts, and iv) engaged in excessive trading ("churning") without taking into account his clients' best interests, contrary to Rule 1300 and Rule 29.1 ii) of the IDA (now IIROC).

¶ 3 The Hearing Panel has heard the arguments of Counsel for IIROC, including a jurisprudential analysis.

The Respondent, who was not represented by counsel at the hearing (although he was represented when the Settlement Agreement was negotiated), also admitted before us to the facts stipulated in the Agreement, confirmed that he had signed the Agreement and that he accepted the sanctions contained in the Agreement.

¶ 4 After deliberation, the Hearing Panel informed the parties that it was accepting the Agreement forthwith, that it would become binding on October 31, 2012, and that the reasons for its acceptance would follow later.

¶ 5 The Hearing Panel recalls the penalties imposed on the Respondent by virtue of the Settlement Agreement, namely:

a) an aggregate fine in the amount of $110,000, including disgorgement of the $80,000 profit;

b) suspension of approval in any capacity for a period of three (3) years;

c) rewriting and passing the Conduct and Practices Handbook (CPH) exam as a prerequisite to seeking re-approval; and

d) 18 months of strict supervision following such re-approval.

Respondent has agreed to pay IIROC costs up to $5000.

¶ 6 The allegations against the Respondent are grave in nature and demonstrate a serious breach of the primary obligations of a representative, notably the obligation to "know your client", especially on the part of a representative with as many years' experience as the Respondent has (nearly 20 years). Such breaches are not within the bounds of good business practice (failure to know your client and making unsuitable investments for his clients) as well as abusive ("churning" i.e. excessive trading in order to generate commissions, and changing account information without authorization), and they undermine the trust of the investing public regarding the integrity of the industry.

¶ 7 The Hearing Panel furthermore took note to that the Respondent had no prior disciplinary history and that he cooperated with IIROC and admitted his guilt at the first opportunity. The Hearing Panel was also informed that the clients have been partially reimbursed by the Respondent's former employer.

¶ 8 The Hearing Panel is of the opinion that the penalties imposed by the Agreement, in particular the three (3)-year suspension, reflect the seriousness of the Respondent's misconduct and are therefore within the bounds of the acceptable, based on IIROC's Disciplinary Sanction Guidelines and the past decisions that were examined.

¶ 9 The Hearing Panel hopes that these penalties will also have a general deterrent effect. The following argument drawn from the decision in *Re Wilson*, 2011 IIROC 47, paragraph 26, coincides with our own line of thought:

> *"26 .... This panel agrees with the statement in the guidelines that the main concerns when determining an appropriate penalty are protection of the investing public, the IIROC membership, the integrity of the IIROC process, the integrity of the securities markets and prevention of a repetition of conduct of the type under consideration. As stated in the Guidelines, sanctions should be based on the particular misconduct of the respondent with an aim of general deterrence which will be achieved if a sanction strikes an appropriate balance by addressing a registrant's specific misconduct, but also being in line with industry expectations."*

Signed this 14th day of January 2013.

Claire Richer, Chair

Danielle LeMay, Panel Member

Gilles Archambault, Panel Member

SETTLEMENT AGREEMENT

I. BACKGROUND

1. Enforcement Staff of the Investment Industry Regulatory Organization of Canada (Staff) and Ronald Lann (the Respondent) consent and agree to the settlement of these matters by way of this Settlement Agreement;

2. The Enforcement Department of the Investment Industry Regulatory Organization of Canada (IIROC) has conducted an investigation (the Investigation) into the conduct of the Respondent.

3. On June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada (IDA) and Market Regulation Services Inc. Pursuant to the Administrative and Regulatory Services Agreement between the IDA and IIROC, which came into force June 1, 2008, the IDA has retained IIROC to provide the necessary services for the IDA to carry out its regulatory functions.

4. The Respondent consents and agrees to be subject to IIROC's jurisdiction;

5. The Investigation disclosed matters for which the Respondent may be disciplined by a Hearing Panel appointed pursuant to IIROC Transitional Rule No. 1, Schedule C.1, Part C (the Hearing Panel).

II. JOINT SETTLEMENT RECOMMENDATION

6. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement;

7. The Respondent admits to the following contravention of the IIROC Rules, Guidelines, IDA By-Laws:

   i) From July 2005 to May 2008 inclusive, the Respondent failed to use due diligence to learn and remain informed of the essential facts relative to two of his clients, contrary to Regulation 1300.1(a) of the IDA (now IIROC Rule 1300.1 (a));

   ii) From May 2006 to May 2008 inclusive, the Respondent failed to use due diligence to ensure that the acceptance of orders from three clients was suitable for them, given their investment knowledge, their investment objectives, as well as their risk tolerance, contrary to Regulation 1300.1(p) of the IDA (now IIROC Rule 1300.1 (p));

   iii) From May 2006 to May 2008 inclusive, the Respondent engaged in discretionary trading in the accounts of three of his clients, without the accounts having been preauthorized by the firm as discretionary or managed accounts, contrary to Regulation 1300.4 and 1300.5 of the IDA (now IIROC Rules 1300.4 and 1300.5);

   iv) From May 2006 to May 2008 inclusive, the Respondent engaged in improper sales practices by excessively trading (churning) in the accounts of three clients without proper consideration of the clients' best interest, contrary to Regulation 1300.1(o) and IDA By-law 29.1(ii) (now IIROC Rule 1300.1 (o) an Rule 29.1).

8. Staff and the Respondent agrees to the following terms of settlement:

   a) A global fine in the sum of $110,000 including disgorgement of profit of $ 80,000;

   b) A suspension from any registered capacity with IIROC for a period of three (3) years;

   c) Must successfully re-write the examination based on the Conduct and Practices Handbook course, as a condition of re-registration;

   d) Strict supervision for 18 months, should he return to the industry;

9. The Respondent agrees to pay costs to IIROC in the sum of $ 5,000.

III. STATEMENT OF FACTS

(i) Acknowledgment

10. Staff and the Respondent agree with the facts set out in this section and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Factual Background

OVERVIEW

11. In July 2005, the Respondent opened accounts for three clients ("A", "B" and "C") who had each just inherited a sum of money from the estate of client A's father; client A inherited $500,000, while clients B and C inherited $50,000 each;

12. On this occasion, the Respondent did not meet clients B and C, obtaining all of the information contained in the New Account Application forms from their mother, client A, and therefore neglecting to discuss with them their investment objectives and their personal financial information;

13. In fact, throughout the relationship, the Respondent had no contact with clients B and C, satisfiying himself with instructions and information provided by client A who was the designated power of attorney on their accounts;

14. The Respondent never ascertained that the acceptance of orders provided by client A was suitable for all three of his clients, since several of these orders did not coincide with the investment objectives shown on the relevant new account application forms;

15. While some of the trades were discussed in a general manner with client A, the Respondent executed several hundred trades without obtaining the Client A's authorization;

16. During this period, the three clients' accounts generated more than $163,000 in commissions, the Respondent having engaged in excessive trading that was not within the bounds of good business practice, with the sole aim of generating commissions;

17. By reason of the Respondent's excessive trading, the clients' portfolios declined by more than 20% each during the material period;

THE PARTIES

THE REPRESENTATIVE RONALD LANN

18. Since 2000, the Respondent was a registered representative (retail);

19. At all material times, the Respondent was in the employ of Scotia Capital Inc. (Scotia);

20. Prior to leaving Scotia , the Respondent was responsible for accounts with a total value ranging between 17 and 20 million dollars;

21. From June 2008 to April 2011, the Respondent was in the employ of Industrial Alliance Securities Inc. as a registered representative (retail);

22. From April 2011 to June 2012, the Respondent was employed with Canaccord Genuity as a registered representative (retail);

23. Respondent became a registrant of IIROC on June 1, 2008;

24. At the end of June 2012, the Respondent resigned from Canaccord Genuity and is no longer an IIROC registrant;

CLIENT A

25. Client A was born in 1956;

26. At the material time, client A, a physical therapist for 26 years, was practicing her profession in a Montréal hospital, four days a week, eight hours a day, from 9 AM to 5 PM;

27. Client A was earning a salary of more than $50,000 year, with over $550,000 in liquid assets and property holdings worth $225,000;

28. Client A began doing business with the Respondent at Scotia in 2005, when she was designated as one of the individuals authorized to transact business in the account of her father's estate (Estate D);

29. In July 2005, client A proceeded to open an account with the Respondent, to which was transferred a sum of $500,000 from Estate D;

30. At all material times, client A had limited knowledge of investing;

31. The investment objective that was clearly stated by client A to the Respondent was to incur minimum risk with relatively safe investments.

CLIENTS B AND C

32. Clients B and C are the children of client A and, at the material time, were full-time students, age 19 and 21 respectively;

33. Each having inherited $50,000 from their grandfather, accounts were opened in their names by the Respondent at the same time as their mother's account (client A) in July 2005;

34. Their assets were limited to the said $50,000 amount, plus approximately $5,000 in other liquid assets.

THE COMPLAINTS

35. Clients B and C took over the management of their accounts in late 2010 and/or early 2011;

36. After reviewing all of the statements of account since the account was opened in July 2005, client C found that the management of his account by the Respondent had generated substantial commissions;

37. In the wake of his finding, and after further analysis of all of the transactions that were carried out in his account, client C informed his sister, client B, and both filed a complaint with the Autorité des marchés financiers (AMF), on or around February 4, 2011;

38. Subsequently, they informed their mother of the situation that had occurred in their respective accounts, inviting her to check her own account;

39. After such analysis was performed by client A's other son, she found the same situation, namely that substantial commissions had been generated in her account, and filed a complaint with the AMF on or around February 16, 2011;

40. In May 2011, IIROC initiated an investigation regarding the Respondent, in respect of the allegations by clients A, B and C.

COUNT 1: FAILURE TO "KNOW YOUR CLIENT"

CLIENTS B AND C

41. At all material times, clients B and C did not participate in the opening of their accounts, or in the management of the trading that was done therein, contenting themselves with signing the various forms that their mother would ask them to sign from time to time;

42. On or around July 15, 2005, the Respondent opened an individual cash account for each of clients B and C;

43. In the course of opening these accounts, the Respondent filled out the New Client Application forms (NCAFs) based on the information supplied by client A, the mother of clients B and C, without meeting them personally or talking with them;

44. Still in the context of opening their accounts, clients B and C signed an Authorization to Trade dated July 12, 2005, in favour of their mother, client A;

45. The NCAFS of clients B and C describe their investment knowledge as low to nil, with medium risk

tolerance;

46. For client B, her investment objectives as stated on the form were 40% income and 60% long-term capital gains;

47. For client C, his stated investment objectives were 100% long-term capital gains;

48. Around March 2008, the Respondent proceeded to modify the accounts of clients B and C, transforming them into margin accounts;

49. He then updated the client files of clients B and C with investment objectives that were considerably modified to 100% short-term capital gains;

50. On this occasion, the Respondent should have met or spoken with his clients B and C, especially since these were major changes which altered their initial investor's profile from relatively low risk to a much higher risk profile;

51. By neglecting to meet or speak with his clients B and C, it was impossible for the Respondent to ascertain their understanding of either the forms they were signing, or of the implications associated with their investment objectives and risk tolerance;

52. Even though client A had an Authorization to Trade in the accounts of her children B and C, this did not relieve the Respondent of his obligation to know his clients;

53. The Respondent's failure to act with diligence is aggravated by the fact that client A's knowledge of investing was low, which explains why she trusted the Respondent implicitly, never questioning his recommendations or investment strategies, which she was not equipped to understand in any case.

COUNT 2: UNSUITABILITY OF TRADES IN THE ACCOUNTS OF CLIENTS A, B AND C

CLIENT A

54. On or around July 15, 2005, Respondent opened an individual cash account for client A;

55. Client A's NCAF described her investment knowledge as ranging from nil to medium, and her risk tolerance as medium;

56. Client A's investment objectives on the form were 40% income and 60% long-term capital gains;

57. The first few trades made in the account when it was opened in July 2005 were compatible with a cautious and long-term vision that suited client A;

58. Around May 2006, the Respondent began making short-term trades in client A's account, even though the latter still had a long-term vision for her portfolio. The majority of these trades were made in her USD account;

59. There was nothing to justify such a change with regard to client A, who had a stable job, was not planning to retire for many years, was relatively comfortable financially and would not need this money in the near future;

60. From May to November 2006, over 65% of the trades made in client A's portfolio were geared to short-term capital gains, contrary to the investment objectives stated in client A's profile which made no mention of any percentage of investments in short-term capital gains;

61. On November 22, 2006, the Compliance Department at Scotia approached the Respondent concerning several trades made in client A's account in stocks that were geared to short-term capital gains, asking the Respondent to modify the client file to reflect the trades in question or take other appropriate measures to rectify the situation;

62. That same day, the Respondent informed the Compliance Department that he would modify client A's investment objectives and, on or around December 3, 2006, he had the client sign an update of her investment objectives, modifying them to 30% income, 25% long-term capital gains, and 45% short-term

capital gains;

63. On the occasion of this substantial change to client A's profile, the Respondent failed to ascertain her understanding of the form she was signing, and of the implications of these new investment objectives given her lack of investment knowledge, and simply adjusted client A's client file to suit the portfolio that he had constructed for her;

64. Notwithstanding this change to her account, the Respondent still engaged in a excessive short-term trading strategy involving between 64% and 71% of the portfolio until January 2008;

65. On January 21, 2008, the Respondent proceeded with a second update of client A's client file, modifying her investment objectives to 25% long-term capital gains and 75% short-term capital gains;

66. Given client A's initial investor profile, namely low investment knowledge and low risk tolerance, the sizable percentage of short-term capital gains trading was unsuitable for this client;

67. What emerges from all the facts in the matter is that client A's real investment objectives were the ones that were initially entered on the NCAF in July 2005, objectives which the Respondent did not respect, thus failing in his duty to ensure that the trading he was doing on behalf of his client A were suitable for her;

68. Moreover, for 20 months, namely from May 2006 to January 2008, the trades made in client A's account did not respect the investment objectives stated on the various NCAFs signed by client A.

CLIENTS B AND C

69. The investment objectives of clients B and C contained in their respective NCAFS did not provide any percentage of trades for short-term capital gains;

70. Yet, in July 2006, the Respondent began short-term trading in the accounts of clients B and C;

71. From July 2006 to May 2007, the percentage of short-term trading in the accounts of clients B and C ranged from 46% to 54%, without any modifications being made to the client files;

72. On or around August 8, 2006, the Compliance Department of Scotia made two identical queries with the Respondent concerning clients B and C;

73. These queries mentioned that the purchases of Eurozinc Mining and Hecla Mining stock, both high risk, did not respect the risk tolerance of clients B and C, which was 100% medium risk at the time;

74. The Respondent then indicated to the Compliance Department that he would modify the client files but, in fact, such modification was never done;

75. In October 2006, the securities in question had been sold and the Compliance Department then considered that the accounts met the investment objectives and risk tolerance of clients B and C;

76. As of June 2007, the percentage of short-term trading went to 100%;

77. It was only as of March 2008 that the investment objectives of clients B and C were changed from 100% long-term capital gains to 100% short-term capital gains;

78. Client B signed her update form on January 26, 2008, while client C signed his on March 5, 2008, at the request of their mother who had received the forms already filled out by the Respondent;

79. The Respondent did not respect the investment objectives of his clients B and C over a period of approximately 20 months, thus failing in his duty to ensure the suitability of the trades that he made on behalf of his clients B and C;

80. To illustrate the foregoing, below is a comparative table of the investment objectives on the KYC form versus the actual situation:

Key: Obj. de placement = Investment Obj.

Gain court term = Short-term gain

Selon KYC = According to KYC

Réel = Actual

Tableau 4
Comparatif des objectifs de placement du KYC versus reel

Date	Cliente A		Cliente B		Client C	
	Obj. de placement Gain court terme Selon KYC	Gain court terme Réel	Obj. de placement Gain court terme Selon KYC	Gain court terme Réel	Obj. de placement Gain court terme Selon KYC	Gain court terme Réel
mai-06	0%	66%	0%	0%	0%	0%
juin-06	0%	67%	0%	0%	0%	0%
juil-06	0%	68%	0%	47%	0%	47%
août-06	0%	69%	0%	50%	0%	50%
sept-06	0%	69%	0%	46%	0%	47%
oct-06	0%	69%	0%	49%	0%	49%
nov-06	0%	69%	0%	49%	0%	49%
déc-06	45%	68%	0%	46%	0%	46%
janv-07	45%	64%	0%	54%	0%	54%
févr-07	45%	67%	0%	53%	0%	53%
mars-07	45%	67%	0%	53%	0%	53%
avr-07	45%	69%	0%	52%	0%	54%
mai-07	45%	70%	0%	54%	0%	53%
juin-07	45%	71%	0%	100%	0%	100%
juil-07	45%	68%	0%	100%	0%	100%
août-07	45%	67%	0%	100%	0%	100%
sept-07	45%	68%	0%	100%	0%	100%
oct-07	45%	69%	0%	100%	0%	100%
nov-07	45%	68%	0%	100%	0%	100%
déc-07	75%	66%	0%	100%	0%	100%
janv-08	75%	63%	100%	100%	100%	100%
févr-08	75%	62%	100%	100%	100%	100%
mars-08	75%	61%	100%	100%	100%	100%
avr-08	75%	62%	100%	100%	100%	100%
mai-08	75%	62%	100%	100%	100%	100%

COUNT 3: DISCRETIONARY TRADES

81. From May 2006 to May 2008, the Respondent executed more than 985 trades in the accounts of clients A, B and C;

82. The accounts of clients A, B and C were not discretionary accounts or managed accounts under the meaning of IDA Regulation 1300.4 and 1300.5; the Respondent was therefore required to obtain the clients' authorization and to ensure that the trade he was recommending was suitable for them before executing the trade;

83. Given that clients B and C never talked to or met the Respondent in the course of the management of their accounts, the Respondent should have obtained the authorization of client A before proceeding with every trade executed in all three client accounts during that period, which he omitted or neglected to do;

84. Considering the number of trades, in actual fact, during this 24-month period, the Respondent met with client A only ten times, at which meetings he discussed with her, in a general manner, the trades he had made in the weeks prior to their meeting, and those he intended to make in the following weeks;

85. At no time was client A able to approve or authorize 985 trades over a period of 24 months, which is the equivalent of one day-trade per business day;

86. Moreover, since she worked four days a week, from 9 AM to 5 PM, as a physical therapist in a hospital, she could not easily be reached at work;

COUNT 4: CHURNING

87. Between May 2006 and May 2008, the Respondent executed, in all three accounts combined, trades

totaling a sales volume of approximately $9,600,000, whereas the average assets in the three clients' accounts totaled approximately $625,000, for an average turnover rate of 7.4, as shown in the table below (Analysis of Assets Turnover Rate):

Key: Compte Canadien et US (dollars Can) = Canadian and US Account (in Can dollars)

Plaignant = Complainant

Nombre opération = Number of trades

Actif net moyen = Average net assets

Volume Achat = Purchase Volume

Taux roulement = Turnover Rate

Total frais int. = Total int. Costs

Seuil Rentabilité = Breakeven Point

TOTAL/MOYENNE = TOTAL/AVERAGE

Analyse du taux de roulement des actifs								
Clients A-B-C								
Compte Canadien et US (en dollars Can)								
Plaignant	Période	Nombre opération	Actif net moyen	Volume Achat	Taux roulement	Total commission	Total frais Int.	Seuil Rentabilité
Cliente A	Mai-06 / Mai-08	756	528 902	8 232 610	7,5	131 946	N/A	12%
Cliente B	Juil-06 / Mai-08	111	48 744	657 383	7	15 056	N/A	15%
Client C	Juil-06 / Mai-08	118	48 185	710 073	7,7	16 062	N/A	16%
TOTAL / MOYENNE		985	625 831	9 600 066	7.4	163 064		13%

88. In actual fact, as stated above, the Respondent defined on his own the investment objectives and investment strategies for clients A, B and C;

89. When he met client A, he would give her a general summary of the trades that he had made and those that he was considering making on a discretionary basis, even though these were not discretionary accounts;

90. Client A therefore relied completely on the Respondent for all trading, having no investment knowledge and no real opinion on the validity of one recommendation or another;

91. The Respondent therefore had control over the accounts of all three clients;

92. As the table above illustrates, there were 985 trades in all three accounts combined between May 2006 and May 2008, which represents on average a minimum of two trades per business day;

93. If we consider only the transactions effected in US dollars, the results are even more probative, as the following analysis of the assets turnover rate shows:

Key: Compte US (dollars US) = US Account (in US dollars)

Plaignant = Complainant

Nombre opérations = Number of trades

Actif net moyen = Average net assets

Volume Achat = Purchase Volume

Taux roulement = Turnover Rate

Total frais int. = Total int. Costs

Seuil Rentabilité = Breakeven Point

TOTAL/MOYENNE = TOTAL/AVERAGE

Analyse du taux de roulement des actifs Clients A-B-C Compte US (dollars US)								
Plaignant	Période	Nombre opérations	Actif net moyen	Volume Achat	Taux roulement	Total commission	Total frais Int.	Seuil Rentabilité
Cliente A	Mai-06 / Mai-08	585	217 041	6 225 257	13,8	113 645	N/A	25%
Cliente B	Juil-06 / Mai-08	85	22 472	657 383	13,7	14 270	N/A	33%
Client C	Juil-06 / Mai-08	95	24 593	643 731	14	15 256	N/A	32%
TOTAL / MOYENNE		765	264 106	7 526 371	13,8	143 171		26%

94. When one includes each client's Canadian dollar account, the accounts' breakeven points become respectively 12% for client A, 15% for client B and 16% for client C, which means that the accounts had to generate capital gains that were superior to these breakeven points before the clients could begin to generate a profit;

95. Given these figures, the clients' actual investment objectives and the relatively short holding periods of the securities in the client accounts, it seems clear that the trading effected by the Respondent in the accounts of clients A, B and C was excessive;

96. Between November 2005 and June 2008, the Respondent generated an annual average of $460,000 in gross commissions;

97. Between May 2006 and May 2008, $163,064 in commission costs were billed to clients A, B and C, accounting for approximately 18% of all of the Respondent's gross commissions during this period, whereas the accounts of clients A, B and C only represented approximately 3.5% of the total assets managed by the Respondent;

98. Scotia Compliance Department intervened in January 2006 raising its concern over the rate of commissions generated by the Respondent for all of the latter's managed assets, which at the time was approximately 3% whereas the industry standard was approximately 1%;

99. Based upon these fact, the Respondent knowingly executed excessive number of trades in the accounts of A, B and C for the purpose of generating commissions;

100. In all, as a result of the trades effected by the Respondent between May 2006 and May 2008, the clients saw their portfolios decline respectively by about 23% for client A, 22% for client B and 26% for client C.

IV. TERMS OF SETTLEMENT

103. This settlement is agreed upon in accordance with Dealer Member Rule 20.35 to 20.40 inclusively, and Rule 15 of the Dealer Member Rules of Practice and Procedure;

104. The Settlement Agreement is subject to acceptance by the Hearing Panel;

105. The Settlement Agreement shall become effective and binding upon the Respondent and Staff from the date of its acceptance by the Hearing Panel.

106. The Settlement Agreement will be presented to the Hearing Panel at a hearing ("the Settlement Hearing") for approval. Following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement.

107. If the Hearing Panel accepts the Settlement Agreement, the Respondent waives his right, under IIROC Rules and any applicable legislation, to a disciplinary hearing, review or appeal.

108. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement; or staff may proceed to a disciplinary hearing in relation to the matters disclosed in the investigation.

109. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel.

110. Staff and the Respondent agree that, if the Hearing Panel accepts the Settlement Agreement, they, or anyone on their behalf, will not make any public statements inconsistent with the Settlement Agreement.

111. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent shall be payable immediately on the effective date of the Settlement Agreement;

112. Unless otherwise stated, suspensions, prohibitions, expulsions, restrictions and other conditions or terms of the Settlement Agreement shall commence on the effective date of the Settlement Agreement.

AGREED TO BY THE RESPONDENT AT MONTREAL, IN THE PROVINCE OF QUEBEC, THIS 14TH DAY OF SEPTEMBER 2012.

(SGD.) KARINE LAO	**(SGD.) RONALD LANN**
WITNESS	**RONALD LANN**
	RESPONDENT

AGREED TO BY STAFF OF IIROC AT MONTRÉAL, QUÉBEC, THIS 18TH DAY OF SEPTEMBER 2012.

(SGD.) DANIELLE BRUNET	**(SGD.) MARTIN HOVINGTON**
WITNESS	**MARTIN HOVINGTON**
	Enforcement Counsel, for Staff of IIROC