

# Re Karim

IN THE MATTER OF:

**The Dealer Member Rules of the Investment Industry Regulatory  
Organization of Canada**

**and**

**Sajed Karim**

2015 IIROC 04

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

Heard: September 18, 2014 in Toronto, Ontario

Decision: September 18, 2014

Reasons: January 23, 2015

**Hearing Panel:**

Julia Dublin, Chair, Leo Ciccone and Peter Gribbin

**Appearances:**

Kathryn Andrews, Enforcement Counsel

Kevin Richard, for Respondent Sajed Karim

Sajed Karim (present)

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## REASONS FOR ACCEPTANCE OF SETTLEMENT

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¶ 1 At a Settlement Hearing on September 18, 2014 Staff of the Investment Industry Regulatory Organization of Canada (“IIROC”) and Sajed Karim (“the Respondent”) jointly recommended that the Hearing Panel accept the attached Settlement Agreement. The settlement was in accordance with IIROC Dealer Member Rules 20.35 to 20.40, inclusive, and Rule 15 of the IIROC Dealer Member Rules of Practice and Procedure.

¶ 2 The Hearing Panel received and considered oral submissions from IIROC counsel and the Respondent’s counsel, as well as the IIROC Settlement Brief, containing the Settlement Agreement, extracts from IIROC Rules and disciplinary sanctions guidelines and selected IIROC hearing panel decisions.

### TERMS OF SETTLEMENT

¶ 3 The Respondent and IIROC Staff agreed that from July 2008 until April 2012 the Respondent effected discretionary trades in the accounts of his clients DS and BS, without the accounts having been approved and accepted as discretionary accounts, in contravention of IIROC Dealer Member Rule 1300.4.

¶ 4 IIROC Staff and the Respondent agreed to the following terms of settlement:

- a) payment of a fine in the amount of \$22,500;
- b) close supervision for 12 months;
- c) to rewrite the Conduct and Practices Handbook exam within 6 months of date of the Settlement Agreement; and
- d) payment of IIROC costs of \$1,500.

## FACTS

¶ 5 The facts are set out in the Settlement Agreement. In summary, DS and his wife BS opened RRSP accounts with the Respondent at Canaccord Genuity Corp. in 2004. Between July 2008 and April 2012 the Respondent effected numerous purchases and sales of stock, bonds and mutual funds in both RRSP accounts, some (not precisely identified) were made without written authorisation from DS or BS. The Respondent was not registered or qualified to operate discretionary accounts nor were the accounts discretionary or managed accounts. BS and DS were not aware that their consent was required prior to carrying out trades in their accounts. The Respondent understood from DS and BS that they were not interested in receiving detailed information about their investments. The accounts were profitable until 2007.

¶ 6 The mitigating factors are set out in the Settlement Agreement and were addressed by the Respondent's counsel. The Respondent does not have any previous disciplinary history with IIROC and co-operated with the investigation. There was no dishonesty or deceit involved. Although in April 2012 the accounts showed unrealised losses of \$45,000 (BS) and \$87,000 (DS), there was no evidence that the discretionary trades were unsuitable for BS or DS. There was no evidence of harm to the Respondent's employer or evidence of other clients affected.

## ACCEPTANCE PRINCIPLES

¶ 7 Under IIROC Rule 20.36, at the conclusion of a settlement hearing, a panel may either accept or reject the proposed settlement. In exercising its discretion to accept the settlement agreement, the Panel considered the IIROC disciplinary sanction guidelines and the principles governing acceptance of settlement agreements in the precedents cited by IIROC Staff, for example as set out in *Re Ast* (2012 IIROC 38), quoting *Re Rotstein and Zackheim* (2012 IIROC 27) at paragraph 15:

“Based on this material it is our responsibility to review the agreement in order to satisfy ourselves that it falls within a reasonable range of appropriateness to the offence and circumstances recorded in the agreement and that there is nothing in the agreement which would be contrary to the public interest or bring the administration of the Rules of IIROC into public disrepute. If we are satisfied that the Settlement Agreement does not offend the principles then it should be accepted.”

## CONCLUSION

¶ 8 The Panel was satisfied that penalties proposed were in a reasonable range, and were not contrary to the public interest. The penalties accepted were warranted by the agreed facts and were in line with those imposed in *Re Beck*, 2012 IIROC 41, and *Re Symonds*, [2007] I.D.A.C.D. No. 17, the precedents cited by staff whose facts most closely resembled the present matter. Accordingly, the Panel accepted the settlement agreement.

Dated at Toronto, Ontario this 23day of January 2015.

Julia Dublin, Chair

Leo Ciccone

Peter Gribbin

## SETTLEMENT AGREEMENT

### I. INTRODUCTION

1. IIROC Enforcement Staff (“Staff”) and the Respondent Sajed Karim (“Karim” or the “Respondent”), consent and agree to the settlement of this matter by way of this agreement (the “Settlement Agreement”).
2. The Enforcement Department of IIROC has conducted an investigation (the “Investigation”) into the

Respondent's conduct.

3. The Investigation discloses matters for which Karim 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**

4. Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement.
5. The Respondent admits to the following contraventions of IIROC Dealer Member Rules, Guidelines, Regulations or Policies:

**Count 1:** From July 2008 until April 2012, Sajed Karim effected discretionary trades in the accounts of clients DS and BS, without the accounts having been approved and accepted as discretionary accounts, contrary to IIROC Dealer Member Rule 1300.4.

6. Staff and the Respondent agree to the following terms of settlement:
  - a) Payment of a fine in the amount of \$22,500;
  - b) Close supervision for 12 months; and,
  - c) To rewrite the CPH within 6 months.
7. The Respondent agrees to pay costs to IIROC in the sum of \$1,500.

## **III. STATEMENT OF FACTS**

### **(i) Acknowledgment**

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

### **(ii) Factual Background**

#### **Overview**

9. In 2004 DS and his wife BS opened RRSP accounts with the Respondent at Canaccord Genuity Corp. Over a long period of time, until they complained in 2012, Karim engaged in discretionary trading in their RRSP accounts. He effected a large number of transactions during this time period, without discussing all of the particulars of the trades with them in advance.

#### **Background**

10. Karim is currently a Registered Representative employed at a Canaccord Genuity Corp. ("Canaccord") branch located in Waterloo, Ontario. He has never been licensed to operate discretionary accounts nor has he ever been registered as a Portfolio Manager.
11. DS and BS are a married couple living in Kitchener, Ontario. In 2003, when they first opened three accounts with Karim, they told him that they both wanted to retire before turning 65 in 2011.

#### **RRSP accounts**

12. The Ss' largest accounts with Karim were their RRSP accounts. BS invested approximately \$187,000 in her RRSP account, while DS invested approximately \$225,000 in his RRSP account (together the "RRSP Accounts").

#### **Discretionary trading**

13. Beginning in approximately July 2008, the Respondent effected numerous trades in the RRSP Accounts, without first discussing all of the elements of the trade with DS and BS, such as the security to be purchased or sold, the price, the quantity and the timing of the trade.

#### **Number of trades**

14. Between July 2008 and April 2012, approximately 546 trades were made in BS's RRSP account and approximately 473 trades were made in DS's RRSP account, as set out below. These trades included stocks, bonds and mutual funds. Karim was not able to identify which of these trades, if any, were authorized in advance by the clients and which were discretionary.
15. The following trades were made in the RRSP Accounts from July 2008 to April 2012:

Date	BS: number of trades	DS: number of trades
July-December 2008	65	29
2009	151	129
2010	151	111
2011	108	134
January-April 2012	71	71

#### **Accounts not accepted or approved as discretionary accounts**

16. Neither DS nor BS provided any written authorization to Karim or to Canaccord to effect discretionary trades in their accounts. Karim was not registered to maintain discretionary and/or managed accounts. Neither of the RRSP Accounts had been accepted or approved as discretionary accounts by Canaccord.
17. BS and DS have stated that they were not aware that Karim was required to obtain their consent prior to carrying out trades in their accounts.

#### **Discussions with the Ss**

18. Karim states that he understood that at some points in their business relationship, the Ss were not interested in receiving detailed information or recommendations concerning the investments in the RRSP Accounts.

#### **Unrealized losses**

19. Generally the trading in the RRSP Accounts was profitable until approximately 2007. By April 2012, however, the RRSP Accounts showed unrealized losses of approximately \$45,000 for BS and \$87,000 for DS.

#### **Mitigating Factors**

20. Karim does not have any previous disciplinary history with IIROC.
21. Karim co-operated with Staff's Investigation and this prosecution.

#### **IV. TERMS OF SETTLEMENT**

22. This settlement is agreed upon in accordance with IIROC Dealer Member Rules 20.35 to 20.40, inclusive and Rule 15 of the Dealer Member Rules of Practice and Procedure.
23. The Settlement Agreement is subject to acceptance by the Hearing Panel.
24. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.
25. 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.
26. If the Hearing Panel accepts the Settlement Agreement, the Respondent waives his rights under IIROC rules and any applicable legislation to a disciplinary hearing, review or appeal.
27. 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.

28. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel.
29. Staff and the Respondents 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.
30. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately upon the effective date of the Settlement Agreement.
31. Unless otherwise stated, any suspensions, bars, expulsions, restrictions or other terms of the Settlement Agreement shall commence on the effective date of the Settlement Agreement.

**AGREED TO** by the Respondent at the City of Toronto in the Province of Ontario, this 27th day of July, 2014.

\_\_\_\_\_  
“Witness”

**WITNESS**

\_\_\_\_\_  
“Sajed Karim”

**SAJED KARIM**

**AGREED TO** by Staff at the City of Toronto in the Province of Ontario, this 5th day of August, 2014.

\_\_\_\_\_  
“Witness”

**WITNESS**

\_\_\_\_\_  
“Kathryn Andrews”

**KATHRYN ANDREWS**

Senior Enforcement Counsel on behalf of Staff of  
the Investment Industry Regulatory Organization of  
Canada

**ACCEPTED** at the City of Toronto in the Province of Ontario, this 18th day of September, 2014, by the following Hearing Panel:

Per: “Julia Dublin”

Panel Chair

Per: “Peter Gribbin”

Panel Member

Per: “Leo Ciccone”

Panel Member

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