Unofficial English Translation

Re CTI Capital Securities

IN THE MATTER OF:

The Dealer Member Rules of the Investment Industry Regulatory Organization of Canada (IIROC)

and

CTI Capital Securities Inc.

2014 IIROC 20

Hearing Panel
of the Investment Industry Regulatory Organization of Canada
(Québec District)

Hearing held on: March 6, 2014
Decision rendered on: April 28, 2014

Hearing Panel
Me Alain Arsenault, Chair, Mr. John Ballard, and Mr. François Demers
Appearances
Me Martin Hovington, Counsel for IIROC
Me Linda Julien, Counsel for the Respondent

DECISION ON SETTLEMENT

¶ 1 After investigation, the Enforcement Department of the Investment Industry Regulatory Organization of Canada (hereinafter, IIROC) determined that CTI Capital Securities Inc. (hereinafter, CTI) may have committed a violation for which it may be disciplined by a Hearing Panel appointed pursuant to Part C of Schedule C.1 to Transition Rule No. 1 of IIROC, namely:

a) Between September 2010 and December 2011, CTI failed to use due diligence to ensure that the acceptance of orders in the accounts of investment advisor Milad Nassif, and in those of his wife and son, was within the bounds of good business practice contrary to Rule 1300.1(o) and to Part 1C(4) of Rule 2500 of the IIROC Dealer Member Rules.

¶ 2 On February 26, 2014, the parties consented and agreed to the settlement of these matters by way of the settlement agreement, which is appended hereto and is deemed to be an integral part hereof.

¶ 3 By this Agreement, the Respondent admits its guilt relative to the alleged violation, and accepts the following terms of settlement:

a) a fine of $25,000; and

b) costs in the amount of $5,000.

¶ 4 On March 6, 2014, a settlement hearing was held, during which the Hearing Panel heard the pleadings of counsel for both parties, which requested ratification of the Settlement Agreement negotiated between them on February 26, 2014, the whole in accordance with IIROC Dealer Member Rule 20.36 and Rule 15 of the IIROC

Rules of Practice and Procedure.

¶ 5 The facts of the matter are summarized as follows, in paragraphs 9 to 17 of the Settlement Agreement:

> "9. CTI is an IIROC-regulated firm and had employed Milad Nassif (Mr. Nassif) as an investment advisor since January 2005;
>
> 10. Between September 2010 and December 2011 (the material period), Mr. Nassif, while in the employ of CTI, effected numerous trades in the accounts he handled, namely his own margin account, the margin and RRSP accounts of his spouse, Mrs. AD, and the margin account of his son, Mr. EN (the PRO accounts), which were all PRO accounts, whereas these accounts did not have sufficient funds or margins to cover the trades and whereas no effort was made to ensure adequate settlement of these trades, thus engaging in the practice commonly known as "free-riding";
>
> 11. In so doing, the Respondent also contravened the rules applicable to margin accounts and RRSP accounts, in that he:
>
> a. neglected or refused to maintain a sufficient margin in the margin accounts;
>
> b. neglected or refused to submit to the margin calls issued by the CTI Compliance Department;
>
> c. contravened the fiscal rules applicable to RRSP accounts by placing these accounts in debt positions.
>
> 12. CTI did not intervene adequately to rectify the margin calls issued against Mr. Nassif;
>
> 13. CTI did not intervene adequately with regard to the free-riding trades effected by Mr. Nassif in his PRO accounts while he was under close supervision;
>
> 14. CTI did not intervene adequately regarding the trades that Mr. Nassif effected in PRO RRSP accounts, notably tolerating the latter's PRO RRSP accounts being placed in a debit position.
>
> […]
>
> 15. At all material times, Mr. Nassif was employed with CTI as an investment advisor and was subject to close supervision;
>
> 16. At all material times, Mr. Nassif held authorizations to trade for the accounts of his spouse, Mrs. AD, and his son, Mr. EN;
>
> 17. On October 15, 2013, Mr. Nassif left his job with CTI, effective that same day, and is no longer employed with any IIROC-regulated firm."

¶ 6 During the hearing, the legal counsel for the parties specifically emphasized the aggravating and mitigating circumstances that, in their opinion, justify the terms of settlement negotiated between the parties.

¶ 7 The aggravating circumstances raised by the counsel for the parties are as follows:

- Between September 2010 and September 2011, Mr. Nassif executed over 450 day-trades, most of which contravened the rules and constituted free-riding, without CTI intervening appropriately or with due diligence;
- During the material period, namely between September 2010 and December 2011, the CTI Compliance Department issued an approximate total of 116 margin calls to Mr. Nassif for the accounts of Mrs. AD, Mr. EN and Mr. Nassif;
- During the material period, the only financial contributions made by Mr. Nassif to the aforementioned accounts were the deposit of a sum of $16,000 to Mrs. AD's margin account, and the deposit of a sum of $20,000 to Mr. EN's RRSP account.

¶ 8 The mitigating circumstances raised by the legal counsel for the parties are as follows:

- CTI has no disciplinary history;
- No client of CTI suffered any financial loss arising from the free-riding trades effected by its investment advisor, Mr. Nassif;
- CTI did not suffer any financial loss arising from the free-riding trades effected by its investment advisor, Mr. Nassif;
- CTI did not benefit financially from the free-riding trades effected by its investment advisor, Mr. Nassif;
- CTI cooperated fully in the investigation conducted by the Enforcement Department of IIROC;
- CTI promptly made any corrections requested by the Enforcement Department of IIROC;
- With respect to the close supervision to which Mr. Nassif was subject, CTI naïvely believed that it was sufficient if its Compliance Department made sure that Mr. Nassif's trades balanced at the end of each month, rather than daily.

¶ 9 Concerning this last factor, the Hearing Panel is of the opinion that it does not constitute a mitigating factor, but rather an aggravating one, since CTI ought to have known that the industry rule in the matter of close supervision demands daily verification of the accounts of the advisor in question.

¶ 10 Indeed, close supervision of an investment advisor is notably intended to protect the securities market, and is not to be taken lightly.

¶ 11 Investment dealers must be proactive in a close supervision context, by daily verifying the compliance of the trades effected by the representative in question. Monthly verification is inadequate as it can conceal the non-compliance of trades effected during that period.

¶ 12 Counsel for IIROC then presented to the Hearing Panel the case law that tends to establish the reasonableness of the penalties negotiated between the parties in the Settlement Agreement.

¶ 13 Considering the particularities of the matter, the Hearing Panel specifically retained the decisions in *Re Moss, Lawson & Co*.[1] and in *Re Brant Securities Ltd* [2]:

¶ 14 In *Re Moss, Lawson & Co*., the investment dealer admitted having committed the following contraventions:

> "As a result of the Association's investigation it was alleged that, at various times between January, 1991 and October, 1994, the member firm:
>
> 1. Permitted the purchase of securities in a client's regular and locked-in RRSP accounts which resulted in the creation of debit balances, which is prohibited under the Canada Income Tax Act, and in violation of By-laws 20.10 (b) (4) and (5);
> 2. Failed to adequately and properly supervise the accounts of three (3) clients in accordance with the provisions of Regulation 1300.2 and Policy No. 2;
> 3. Failed to adequately and properly supervise the activities of a branch office and employees thereof, contrary to By-law 29.1 and Policy No. 2;
> 4. Permitted employees of a branch office to engage in conduct which contravened the provisions of the Alberta Securities Act and/or failed to properly supervise the conduct of these employees, contrary to By-laws 20.10 (b) (5) and Regulations 1300.1 and 1300.2;

[1] [1996] I.D.A.C.D. No. 9.

[2] May 10, 2004.

5. Permitted the transfer of securities between a client and employee account, and thereby demonstrated conduct unbecoming a Member firm and detrimental to the public interest, contrary to By-law 29.1;

6. Permitted the transfer of monies between three (3) client accounts and that of any employee, and thereby demonstrated conduct unbecoming a Member firm and detrimental to the public interest, contrary to By-law 29.1;

7. Failed to maintain written policies or procedures governing the transfer of funds and securities between client and employee accounts, contrary to section 1 of Policy No. 2."

¶ 15 The Hearing Panel in this matter accepted a settlement agreement that provided the following penalties:

"i) A fine in the amount of $30,000.00;

ii) Enactment of comprehensive policies and procedures regarding the transfer of funds and securities between client and employee accounts;

iii) Payment toward the Association's costs of investigation in the amount of $1,500.00."

¶ 16 In *Re Brant Securities Ltd.,* the dealer had admitted having committed the following violations:

"85. From December 1998 through 2001, as noted above, Brant, a Member of the Association, contravened Association By-laws, Regulations and Policies and engaged in conduct unbecoming a Member by failing to respond in a timely manner to Association concerns regarding the design, establishment, oversight and implementation of an effective sales compliance program to ensure proper compliance with regulatory requirements; contrary to Association By-law 29.1.

86. From December 1998 through 2001, as noted above, Brant, a Member of the Association, failed to maintain adequate supervisory procedures in accordance with Association Policy No. 2, contrary to Association Regulation 1300.2.

87. From December 1998 through 2001, as noted above, Brant, a Member of the Association, failed in many instances to use due diligence to learn the essential facts relative to certain customers and orders or accounts accepted, and to ensure that such orders or accounts accepted were within the bounds of good business practice contrary to Association Regulations 1300.1 (a) and 1300.1 (b).

88. From December 1998 through 2001, as noted above, Brant, a Member of the Association violated Association By-law 29.1 by engaging in a business conduct or practice that is unbecoming and detrimental to the public interest by failing in many instances to ascertain the identities and investigate trading activity as required by clause 1.5 (1) of Rule 31-505, made under the *Securities Act*, R.S.O. 1990, c. S.5, as amended."

¶ 17 The hearing panel in this matter had accepted a settlement agreement that provided the following penalties:

"(a) a fine in the amount of $125,000.00;

[…]

The panel also approved the imposition of costs against the Respondant Brant in the amount of $60,000.00."

¶ 18 The Hearing Panel wishes to emphasize, concerning this last matter, that nearly all of the dealer's accounts had been the subject of irregular transactions and multiple violations, without any investigation having been conducted by its compliance department.

¶ 19 Moreover, the $125,000 fine imposed on the dealer covered all of the violations that were committed,

making it impossible to know exactly what portion was attributable to each.

¶ 20 In the matter at hand, the Hearing Panel must analyze the content of the Settlement Agreement concluded between the parties to determine whether the penalties it provides are reasonable in light of the applicable case law, and meet the objectives mentioned in the *Dealer Member Disciplinary Sanction Guidelines*, (hereinafter, the "Guidelines"):

> "**1. Main Concerns When Determining An Appropriate Penalty**
>
> As set out in *Re Derivative Services Inc*., [2000] I.D.A.C.D. No. 26, at page 3, a Hearing Panel's main concerns in determining an appropriate penalty are:
>
> 1. Protection of the investing public;
> 2. Protection of the Investment Industry Regulatory Organization's membership;
> 3. Protection of the integrity of the Investment Industry Regulatory Organization's process;
> 4. Protection of the integrity of the securities markets; and
> 5. Prevention of a repetition of conduct of the type under consideration.
>
> The penalty imposed in a specific proceeding should reflect the Hearing Panel's assessment of the measures necessary in the specific case to accomplish these goals, ranging from a reprimand to an absolute bar, and may take into account the seriousness of the respondent's conduct and specific and general deterrence.
>
> **2. Disciplinary Sanctions As Deterrence**
>
> Registrants and Dealer Member firms have significant responsibilities that they must meet if investors are to be protected and market integrity maintained. Registrants who choose to act in ways that threaten the integrity of the capital markets must have the expectation that they will be held accountable through enforcement action by regulators. Sanctions should be based on the circumstances of the particular misconduct by a respondent with an aim at general deterrence.
>
> General deterrence will follow from an appropriate decision and deter others from engaging in similar misconduct and improve overall business standards in the securities industry. This can be achieved if a sanction strikes an appropriate balance by addressing a registrant's specific misconduct, but also being in line with industry expectations. As was observed by the Hearing Panel in *Re Mills*, [2001] I.D.A.C.D. No. 7, April 17, 2001, at p. 3:
>
> > *Industry expectations and understandings are particularly relevant to general deterrence. If a penalty is less than industry understandings would lead its Members to expect for the conduct under consideration, it may undermine the goals of the Association's disciplinary process; similarly, excessive penalties may reduce respect for the process and concomitantly diminish its deterrent effect. Thus the responsibility of the District Council in a penalty hearing is to determine a penalty appropriate to the conduct and respondent before it, reflecting that its primary purpose is prevention rather than punishment.*
> >
> > […]"

¶ 21 As regards the monetary penalty in particular, the Guidelines state that "monetary fines serve to express general condemnation of specific misconduct" [3] and they suggest minimum fines for specific offences:

[3] Section 4.1 – Fines, on page 9 of the Guidelines.

"GUIDELINES

Preamble: The minimum fines suggested within the individual guidelines are intended to establish the "baseline" fine for specific offences – in other words, the lowest fine that can be expected by a respondent where there are no aggravating factors and all mitigating factors have already been taken into account.

However, nothing in these guidelines shall fetter the discretion of a Hearing Panel to impose a lesser or greater penalty in specific circumstances.

[…]

3.4 Order not within Bounds of Good Business Practice – Dealer Member Rule 1300.1 (o)

Historically, this contravention has involved situations where the registrant executes trades in a client's account where there are insufficient funds in the account to settle the trade (i.e. Free-riding). […]

Considerations in Addition to General Principles:

1. Basis for which order not within bounds of good business practice.
2. Number of orders executed.
3. Magnitude of losses, if any, directly attributable to the orders executed.
4. Client's acceptance of orders.
5. Level of sophistication of client.

Recommended Sanctions:

Fine: Minimum of $10,000.

[…]

4.3 Failure to Supervise – Dealer Member Rule 29.27, 1300.2, 2500 and 2700

Each Dealer Member must designate a director, partner or officer who is responsible for the opening of new accounts and the supervision of account activity (Ultimate Designated Person). An Alternate Designated Person may be appointed by the Dealer Member where necessary to ensure continuous supervision.

The Ultimate Designated Person (or Branch Manager appointed by Ultimate Designated Person) is responsible for establishing and maintaining procedures for account supervision and shall ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry.

[…]

Considerations in Addition to General Principles

1. Extent of inadequacy in the procedures for supervision or the actual supervision of employee(s).
2. Extent of employee(s) misconduct.
3. Amount of losses or compensation for which the Dealer Member is liable as a result of the employee(s) misconduct.
4. "Red flag" warnings that should have been caught by a proper system of

supervision/failure to follow-up or to conduct periodic reviews.

5. Corrective measures taken since discovery of problem.

Recommended Sanctions

Dealer Member:

Fine: Minimum fine of $50,000.

[…] »

¶ 22 In the matter before us, the $25,000 fine agreed upon by the parties in the Settlement Agreement concluded between them seems lenient, based on the applicable case law and the Guidelines.

¶ 23 In this regard, the Hearing Panel considers it important to emphasize that, pursuant to IIROC Dealer Member Rule 20.36, its authority relative to a settlement agreement is limited to either accepting or rejecting it. It may in no case modify its content.

¶ 24 Moreover, while the Hearing Panel is not bound by the settlement agreement concluded between the parties, it may not exclude it simply because it would not have imposed the same sanctions following a disciplinary hearing.

¶ 25 In *Re BMO Nesbitt Burns*[4], the Hearing Panel recalled this principle in paragraph 8 of its decision:

> "8. It is clear from jurisprudence emanating from the courts and from Hearing Panels of IIROC, Investment Dealers Association and the Mutual Fund Dealers Association, that our task is not to decide whether, in this case, we would have arrived at the same decision as that reached by the parties. Rather, our duty is to determine whether the penalty is a reasonable one and that it meets the objectives of the disciplinary process which are to maintain the integrity of the investment industry. We cite from the recent decision of the Hearing Panel in *Re CIBC World Markets Inc.*, [2011] IIROC No. 38 :
>
> > 13 Finally, hearing panels will not lightly interfere with a negotiated settlement. As was said in *Re Milewski*, [1999] IDACD No. 17,
> >
> > … a District Council considering a settlement agreement will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness.
> >
> > 14 Or, as put by Winkler J. (albeit in another context) in *Gilbert v. CIBC* [2004] O.J. 4260 :
> >
> > There is a presumption of fairness when a proposed class settlement negotiated at arms length… is presented to the court for approval. A court will only reject a proposed settlement when it finds that the settlement does not fall within a range of reasonableness.
> >
> > The test to be applied is whether the settlement is fair and reasonable… This allows for a range of possible results ant there is no perfect settlement. Settlement is a product of compromise, which by definition, necessitates give and take.
> >
> > 15 In our view, the settlement, negotiated as it was by the parties assisted by capable counsel, does not clearly fall « outside a range of appropriateness » and it should therefore be, and was, accepted by the panel."

[4] [2012] IIROC 21.

¶ 26 The Québec Court of Appeal ruled in the same vein in *Poulin* c. *La Reine*[5], in par.10 of the judgment :

> [TRANSLATION]
>
> "[10] While the judge is not bound by the joint suggestion of the parties, he may not set it aside unless it is unreasonable, contrary to the public interest or likely to bring the administration of justice into disrepute. Furthermore, he must inform counsel of his reluctance regarding their suggestion and give them the opportunity to respond."

¶ 27 The Court of Appeal also noted, in *Paradis* c. *La Reine*[6], that a lenient sentence was not sufficient to conclude that it was unreasonable:

> [TRANSLATION]
>
> "[…] it is apparent from his judgment that the judge was of the view that the suggested sentence was too lenient, given the appelant's criminal record. However, in the matter at hand, that was not sufficient to make a determination that it was unreasonable, especially since the sentence recommended by the parties, although it was rather light, falls within the range of penalties imposed in such matters."

¶ 28 In the matter before us, after evaluating the Respondent's acknowledged misconduct in light of all of the aggravating and mitigating factors, and after taking into account both the applicable case law and the objectives set forth in the Guidelines, the Hearing Panel is of the opinion that the penalties agreed to between the parties in their Settlement Agreement fall at the low end of the range of penalties considered reasonable for the type of violation that is alleged.

¶ 29 Given the objective of deterrence and prevention associated with every disciplinary sanction, the penalties agreed between the parties do not seem unreasonable to this Hearing Panel.

¶ 30 More generally, the Hearing Panel is of the opinion that the Settlement Agreement concluded between the parties is in the public interest. Consequently, it hereby accepts the Settlement Agreement in order to give it full effect.

FOR THESE REASONS, THE HEARING PANEL:

ACCEPTS AND GIVES EFFECT to the Settlement Agreement signed by the parties on February 26, 2014.

Montréal, this 28th day of April, 2014.

Me Alain Arsenault, Chair

Mr. John Ballard, Panel Member

Mr. François Demers, Panel Member

SETTLEMENT AGREEMENT

I. BACKGROUND

1. The Enforcement Staff of IIROC and the Respondent, CTI Capital Securities Inc. (CTI), consent and agree to the settlement of these matters by way of this settlement agreement (the Settlement Agreement);

2. The Enforcement Department Staff (Staff) of IIROC has conducted an investigation (the Investigation) into the conduct of CTI;

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[5] 2010 QCCA 1854.

[6] J.E. 2009-1376, par. 13.

3. The Investigation disclosed matters for which the Respondent may be disciplined by a Hearing Panel appointed pursuant to Part C of Schedule C.1 to Transition Rule No. 1 of IIROC (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:

   (ii) Between September 2010 and December 2011, CTI failed to use due diligence to ensure that the acceptance of orders in the accounts of investment advisor Milad Nassif, and in those of his wife and son, was within the bounds of good business practice contrary to Rule 1300.1(o) and to Part 1C(4) of Rule 2500 of the IIROC Dealer Member Rules.

6. Staff and the Respondent have accepted the following terms of settlement:

   (ii) A fine in the amount of $25,000;

7. The Respondent agrees to pay IIROC costs in the amount of $5,000.

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

SUMMARY

9. CTI is an IIROC-regulated firm and had employed Milad Nassif (Mr. Nassif) as an investment advisor since January 2005;

10. Between September 2010 and December 2011 (the material period), Mr. Nassif, while in the employ of CTI, effected numerous trades in the accounts he handled, namely his own margin account, the margin and RRSP accounts of his spouse, Mrs. AD, and the margin account of his son, Mr. EN (the PRO accounts), which were all PRO accounts, whereas these accounts did not have sufficient funds or margins to cover the trades and whereas no effort was made to ensure adequate settlement of these trades, thus engaging in the practice commonly known as "free-riding";

11. In so doing, the Respondent also contravened the rules applicable to margin accounts and RRSP accounts, in that he:

    a. neglected or refused to maintain a sufficient margin in the margin accounts;

    b. neglected or refused to submit to the margin calls issued by the CTI Compliance Department;

    c. contravened the fiscal rules applicable to RRSP accounts by placing these accounts in debt positions.

12. CTI did not intervene adequately to rectify the margin calls issued against Mr. Nassif;

13. CTI did not intervene adequately with regard to the free-riding trades effected by Mr. Nassif in his PRO accounts while he was under close supervision;

14. CTI did not intervene adequately regarding the trades that Mr. Nassif effected in PRO RRSP accounts, notably tolerating the latter's PRO RRSP accounts being placed in a debit position.

THE REPRESENTATIVE MILAD NASSIF

15. At all material times, Mr. Nassif was employed with CTI as an investment advisor and was subject to close supervision;

16. At all material times, Mr. Nassif held authorizations to trade for the accounts of his spouse, Mrs. AD,

and his son, Mr. EN;

17. On October 15, 2013, Mr. Nassif left his job with CTI, effective that same day, and is no longer employed with any IIROC-regulated firm.

IRREGULAR TRADES BY MILAD NASSIF

ACCOUNTS OF MRS. AD

18. Mrs. AD had three (3) accounts at CTI:

Account Holder	Account No.	Account Type
Mrs. AD	4FXXX9E/F	CDN AND US MARGIN
Mrs. AD	4FXXX9S	RRSP
Mrs. AD	4FXXX9R	RRSP benefiting SPOUSE

19. As previously stated, Mr. Nassif held authorizations to trade for these three (3) accounts and carried out all the transactions;

20. On numerous occasions during the material period, Mr. Nassif executed trades in these accounts whereas the accounts did not have the necessary funds or cash to purchase securities and, on the transaction settlement date, he made no effort to deposit the required funds or cash to pay for the purchases, thus engaging in free-riding;

21. Moreover, during the material period, Mr. Nassif executed trades in the margin account of Mrs. AD, transactions that did not respect the margin rate prescribed by regulation, thus repeatedly placing the account in a deficit margin position;

22. On numerous occasions during the material period, Mrs. AD's margin account was the object of margin calls, without Mrs. AD or Mr. Nassif depositing the sums required under the terms of these margin calls;

23. During the material period, there were approximately 66 margin calls on Mrs. AD's margin account;

24. As an example, on September 2, 2010, while Mrs. AD's margin account was the object of a margin call that had yet to be rectified, Mr. Nassif purchased 10,000 shares in Advanced Micro Device for a net amount of $58,429;

25. On the settlement date, namely September 7, 2010, Mr. Nassif made no effort to ensure adequate settlement of this purchase;

26. For the month of September 2010, there were 32 purchases of securities in Mrs. AD's margin account, for a total value of $2,107,739.10 and sales of $2,086,475.45, whereas the estimated market value of the securities in the account was $55,377.61 with an estimated equity of $7,639.52 as at September 30, 2010;

27. The near totality of the trades effected in Mrs. AD's margin account that month were a function of free-riding, with Mr. Nassif making no effort to ensure the adequate settlement of these purchases, contenting himself with rapidly selling off the securities thus purchased;

28. Moreover, during the material period, Mr. Nassif effected trades in Mrs. AD's RRSP accounts whereas these accounts did not have the funds or the necessary liquidity to purchase securities, thus repeatedly placing the accounts in a debit position, contrary to the rules and the fiscal legislation applicable to this type of account;

29. Mr. Nassif effected purchases in Mrs. AD's RRSP account no. 4FXXX9S, whereas the account liquidity was less than the sum of the purchases and the RRSP portfolio value was substantially less than the sum of the trades;

30. Mr. Nassif was doing day trading in this RRSP account, without freeing up sufficient cash to cover the

purchases, contenting himself with closing out said position before the markets closed;

31. As an example, on September 15, 2011, Mr. Nassif purchased 4,000 shares of Research in Motion through this RRSP account, a net value of $116,909, whereas the account liquidity at the time of the purchase was $972;

32. The portfolio's value as at August 31, 2011 was $46,159, with a cash credit balance of $1,343.93, for current holdings of $47,503.87;

33. The findings were the same in the spouse's RRSP account.

ACCOUNT OF MR. EN

34. Mr. EN held the CND/US margin account bearing no. 4FXXX4E/F at CTI;

35. Mr. Nassif had an authorization to trade for this account and, during the material period, executed all the transactions in this account;

36. On numerous occasions during the material period, Mr. Nassif effected trades in this account, whereas the account did not contain the funds or cash necessary to complete the share purchase, and on the settlement date for the share purchase, did not deposit the funds or cash required to pay for the purchase, thus engaging in free-riding;

37. What's more, during the material period, Mr. Nassif executed trades in this account contrary to the margin rate prescribed in the regulations, thus repeatedly placing the account in a deficit margin position;

38. On numerous occasions during the material period, Mr. EN's margin account was the object of margin calls, without Mr. EN or Mr. Nassif depositing the sums required in accordance with the terms of these margin calls;

39. More specifically, 34 margin calls were issued by the CTI Compliance Department on a total of 56 trades effected by Mr. Nassif.

ACCOUNT OF MILAD NASSIF

40. Mr. Nassif held the CND/US margin account bearing no. 4FXXX1F/E at CTI;

41. During the material period, the trading in this account was mainly concentrated in the month of November 2010;

42. During the material period and especially during the month of November 2010, Mr. Nassif effected trades in this account, whereas it did not contain the funds or cash necessary to complete a stock purchase and, on the settlement date for the stock purchase, Mr. Nassif did not deposit the funds or cash required to pay for the purchase, thus engaging in free-riding;

43. What's more, during the material period, Mr. Nassif executed trades in this account contrary to the margin rate prescribed in the regulations, thus repeatedly placing the account in a deficit margin position;

44. On numerous occasions during the material period, Mr. Nassif's margin account was the object of margin calls, without Mr. Nassif depositing the sums required in accordance with the terms of these margin calls;

45. As an example, on November 2, 2010, while Mr. Nassif's margin account was under a margin call for a sum of $5,808.00, Mr. Nassif proceeded with the following purchases:

- Advanced Micro Device: US $37,200;
- Caterpillar: US $160,067.20;
- Freeport McMoRan Copper & Gold: US $97,277.50;

- Radian Group: US $62,491.67.

46. Mr. Nassif should have rectified the margin call in his account before making any other purchases;

47. Mr. Nassif's margin account had a deficit margin of $7,867.30 as at November 30, 2010; yet during that month, he made purchases worth a total of $2,300,000 while the equity in the portfolio was $3,682.28 on October 31, 2010 and $2,450.27 on November 30, 2010;

48. Mr. Nassif did not make any deposits or any contributions to this account in November 2010;

49. In November 2010, Mr. Nassif received eight (8) margin calls on his account, without these margin calls being rectified;

50. From September 2010 to December 2011, Mr. Nassif did not make any financial contribution to his margin account or provide any valid guarantees to secure his purchases.

FIRM'S FAILURE TO USE DUE DILIGENCE WITH RESPECT TO MILAD NASSIF

51. Mr. Nassif had been under close supervision since July 2009;

52. The supervision reports for the material period, with the exception of the December 2011 report, show no intervention regarding the free-riding;

53. During the material period, with the exception of the December 2011 report, none of CTI's reports raised any problems whatsoever with the trades executed by Mr. Nassif in his PRO accounts;

54. The December 2011 report indicates some irregular purchases and forced sales in Mr. Nassif's PRO accounts;

55. The comments in CTI's December 2011 supervision report were added after the findings from the examination by IIROC's Business Conduct Compliance Department (BCC);

56. It was not until January 2012 that the CTI Compliance Department finally addressed a warning letter to Mr. Nassif, advising him that he was engaging in transactions although his accounts were in default, informing him moreover that, henceforth, all transactions in an account without the necessary funds would be cancelled and transferred to the error account;

57. CTI furthermore reserved the right to impose additional measures, including restricting his accounts;

58. Between September 2010 and September 2011, Mr. Nassif executed over 450 day-trades, most of which contravened the rules and constituted free-riding, without CTI intervening appropriately or with due diligence;

59. During the material period, the CTI Compliance Department issued an approximate total of 116 margin calls to Mr. Nassif for the accounts of Mrs. AD, Mr. EN and Mr. Nassif;

60. During the material period, the only financial contributions made by Mr. Nassif to the aforementioned accounts were the deposit of a sum of $16,000 to Mrs. AD's margin account, and a sum of $20,000 to the RRSP account of Mrs. AD's spouse;

61. Aside from the letter of January 10, 2012 in which CTI recognizes the irregularities and rule violations committed by Mr. Nassif as a result of the trades effected in his PRO accounts, CTI, during the material period, failed to take appropriate corrective measures to put an end to Mr. Nassif's irregular practices, thus failing in its obligation of diligence.

IV. TERMS OF SETTLEMENT

62. 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.

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

64. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the

date of its acceptance by the Hearing Panel;

65. 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.

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

67. 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.

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

69. 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.

70. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately upon the effective date of the Settlement Agreement.

71. 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 Montreal, Quebec, this February 26, 2014.

(s) Linda Julien	(s) Viet Buu
WITNESS	**VIET BUU**, President, for the Respondent

AGREED TO by Staff, at Montréal, Québec, this February 26, 2014.

(s) Linda Vachet	(s) Martin Hovington
WITNESS	**ME MARTIN HOVINGTON** Enforcement Counsel, for Staff of IIROC