



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Hammond Lieu

Heard: May 16, 2018 in Toronto, Ontario
Decision and Reasons: November 27, 2018

DECISION AND REASONS

Hearing Panel of the Central Regional Council:

Paul M. Moore, QC
Guenther W. K. Kleberg
Joseph Yassi

Chair
Industry Representative
Industry Representative

Appearances:

Francis Roy)	Counsel for the Mutual Fund Dealers
)	Association of Canada
)	
)	
Hammond Lieu)	Respondent, in person
)	

The Misconduct

1. The 14 persons named in the Notice of Hearing dated February 28, 2017 (“Notice of Hearing”) were Approved Persons at the Mississauga branch of WFG Securities Inc. (“WFG”), an MFDA Member. They operated a branch-wide scheme (“scheme”) to falsify documents to enable them to sell leveraged investments to clients who did not meet the suitability criteria of WFG, and conspired to cover up (“cover up”) their misconduct by agreeing to mislead, and by misleading WFG in its investigation of their conduct. Several also misled the MFDA in its investigations or failed to co-operate with the MFDA. The misconduct was itemized in 6 allegations in the Notice of Hearing, and the person to whom each allegation applied was specified.

2. The Notice of Hearing is attached as Appendix “1”.

Joinder of Respondents into one matter

3. The Notice of Hearing joins allegations against several persons into one matter. In view of the common facts and misconduct of the Respondents it was convenient and efficient to have the allegations against them joined into one matter. No Respondent objected or requested that his or her misconduct be dealt with separately.

4. Staff withdrew the allegations against Juliene da Rosa Lima, one of the persons named in the Notice of Hearing.

Lieu Settlement

5. Lieu, another of the persons named in the Notice of Hearing, entered into a settlement agreement (“Lieu Settlement”) on May 10, 2018. The Lieu Settlement was presented to the panel for acceptance at an in camera hearing on May 16, 2018 held just prior to the hearing for the remaining Respondents.

6. The only penalty provided for Lieu in the Lieu Settlement is that Lieu be permanently prohibited from acting as a mutual fund salesperson.

7. In the Lieu Settlement, Lieu agreed to provide truthful testimony and evidence in the proceeding against the other Respondents.

8. The panel reserved judgment on whether to accept the Lieu Settlement until it made its decision regarding the other Respondents.

9. The Lieu Settlement is set out in Appendix "2".

10. With regard to the Lieu Settlement (which the panel considered in the settlement hearing immediately prior to the commencement of the hearing of the matter against the remaining Respondents) the panel had only two options: to accept it in its entirety or to reject it.

11. The panel determined that it could not accept the Lieu Settlement if doing so would require, for fairness and consistency, that the panel not impose fines on the remaining Respondents for their same or similar misconduct. The panel determined that it could accept the Lieu Settlement if it determined that not imposing a fine on Lieu in the face of the fines it would impose on the remaining Respondents was fair and reasonable and in the public interest.

12. Lieu was young and naive. He was forthcoming and admitted his wrongdoing at an early stage in WFG's investigation and was fully cooperative with WFG and the MFDA.

13. He was sorry for his misconduct and told us that he realized he is not suitable for the securities industry and that he should seek a career in some other field.

14. Staff advised that Lieu had extensively cooperated with staff throughout its investigation and during the preparations for disciplinary proceedings.

15. In addition to admitting the facts and contraventions in the Lieu Settlement, he provided to staff substantial evidence pertaining to his and the branch's practice of falsifying, fabricating or altering clients' know-your-client information on account forms submitted to WFG, and

information on loan applications and client documents submitted to lenders, in order to facilitate and obtain investment loans to purchase mutual funds for clients which loans and investments the clients did not otherwise qualify for.

16. In addition, he agreed to testify against the Respondents.

17. His testimony was revealing and helpful to the panel in understanding the scheme, the cover up, the business model, including the pyramid compensation arrangements at the branch, the understanding of the Respondents of the nature of the leverage investments they were selling, and the degree of involvement of others in the scheme.

18. We were impressed that Lieu was forthcoming about his own involvement in the scheme, which he did not try to downplay or justify in any way. He may have been naive but he knew that what he was doing was wrong and against the rules. He knew that just because everybody at the branch was doing it, his misconduct was not justified or excusable.

19. He was open about his motivation for co-operating fully with WFG and the MFDA at an early stage.

20. He realized that the jig was up and that it was useless and would be counterproductive to try to cover up what had occurred. Also, he was concerned that the others might try to put sole blame on him since he was the go to person to alter or fabricate documents as instructed by others. He was concerned that the others might try “to throw me under the bus.” He realized that his best course of action was to make a complete confession and to co-operate fully.

21. We have made our decision regarding the remaining Respondents and have issued a separate document for that decision with Reasons.

22. The panel agrees that it is appropriate in the circumstances that no fine or costs be payable by Lieu and that he be permanently prohibited from acting as a mutual fund salesperson, and accordingly, the panel accepts the Lieu Settlement.

DATED this 27th day of November, 2018.

“Paul M. Moore”

Paul M. Moore, QC
Chair

“Guenther W. K. Kleberg”

Guenther W. K. Kleberg
Industry Representative

“Joseph Yassi”

Joseph Yassi
Industry Representative

DM 627173



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A DISCIPLINARY HEARING
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

**Re: Mahmoud Rihawi, Attal Golzay, Ajmal Golzay, Roomal Golzay,
Mustafa Sayed Hashimi, Zobair Hashimi, Sama Tabesh, Saadet Kolgekaya,
Hammond Lieu, Rhea Galias Fortes, Shameel Rawani, Anjum Pathan,
Mohammad Yunas Masood and Juliene da Rosa Lima**

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel of the Central Regional Council (the “Hearing Panel”) of the Mutual Fund Dealers Association of Canada (the “MFDA”) in the hearing room at the MFDA offices, located at 121 King Street West, Suite 1000, Toronto, Ontario on June 7, 2017 at 9:30 a.m. (Eastern), or as soon thereafter as the hearing can be held, concerning a disciplinary proceeding commenced by the MFDA against Mahmoud Rihawi (“Rihawi”), Attal Golzay (“Attal”), Ajmal Golzay (“Ajmal”), Roomal Golzay (“Roomal”), Mustafa Sayed Hashimi (“Mustafa”), Zobair Hashimi (“Zobair”), Sama Tabesh (“Tabesh”), Saadet Kolgekaya (“Kolgekaya”), Hammond Lieu (“Lieu”), Rhea Galias Fortes (“Fortes”), Shameel Rawani (“Rawani”), Anjum Pathan (“Pathan”), Mohammad Yunas Masood (“Masood”) and Juliene da Rosa Lima (“Lima”) (collectively referred to as the “Respondents”).

DATED this 28th day of February, 2017.

“Sarah Rickard”

Sarah Rickard
Director of Regional Councils

Mutual Fund Dealers Association of Canada
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NOTICE is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

Allegation #1: Between 2008 and August 21, 2014, the Respondents falsified, fabricated or altered:

- a) clients’ Know-Your-Client (“KYC”) information such as income, net worth, investment objectives, and risk tolerance on account forms submitted to the Member, including new account application forms; and
- b) information on loan applications and client documents submitted to lenders, including bank statements, investment statements, pay stubs, or Canada Revenue Agency Notices of Assessment;

in order to obtain at least 51 investment loans to purchase mutual funds on behalf of clients, thereby failing to observe the high standards of ethics and conduct in the transaction of business, and engaging in conduct unbecoming an Approved Person, contrary to MFDA Rule 2.1.1.

Allegation #2: Between 2008 and August 21, 2014, the Respondents failed to ensure that at least 51 investment loans recommended to clients were suitable for the clients and in keeping with the clients’ investment objectives, having regard to the clients’ relevant “Know-Your-Client” information and financial circumstances, contrary to the Member’s policies and procedures, and MFDA Rules 2.2.1 and 2.1.1.

Allegation #3: Commencing December 2013, the Respondents engaged in conduct unbecoming Approved Persons by providing false and misleading responses to the Member during the course of the Member’s investigation into their conduct, contrary to MFDA Rule 2.1.1.

Allegation #4: Between December 12, 2011 and August 21, 2014, Attal failed to fulfill his responsibilities as Branch Manager by failing to adequately supervise the Respondents, and report to the Member that the Respondents (including himself) were falsifying, fabricating or altering client KYC information and client documents in order to obtain investment loans to purchase mutual funds, which prevented the Member from conducting a reasonable supervisory investigation and take such other supervisory measures as may have been warranted in the circumstances, contrary to MFDA Rules 2.5.1, 2.5.5, 1.1.2, and 2.1.1, and MFDA Policy No. 2.

Allegation #5: Commencing in December 2014, Pathan, Roomal, Zobair, Rawani, and Masood failed to attend an interview with MFDA Staff and produce information, documents and records requested by MFDA Staff during the course of an investigation, contrary to section 22.1 of MFDA By-law No. 1.

Allegation #6: Commencing in March 2015, Rihawi, Mustafa, Tabesh, Attal, Ajmal, Kolgekaya, and Fortes misled MFDA Staff during an interview and/or failed to produce copies of documents and records requested by MFDA Staff during the course of an investigation, contrary to section 22.1 of MFDA By-law No. 1.

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by the MFDA at the hearing:

Overview

1. The Respondents all operated out of the same branch office of WFG Securities Inc. (“WFG”) or one of its predecessor companies, located in Mississauga, Ontario (the “Branch”).

2. This proceeding concerns allegations that the Respondents engaged in a widespread practice at the Branch which involved falsifying, fabricating or altering clients' KYC information on account forms submitted to WFG including new account application forms, and information on client documents submitted to lenders including bank statements, investment statements, pay stubs, or Canada Revenue Agency Notices of Assessment, in order to obtain investment loans to purchase mutual funds in client accounts.

3. The Respondents engaged in these practices, without the knowledge or authorization of clients, in order to make it appear as though the clients satisfied WFG's requirements regarding the use of leveraging and to increase the likelihood that the lenders would approve the investment loans.

4. The Respondents' conduct increased the amount of money invested by the clients in mutual funds, and thereby increased the amount of commissions and fees each of them received.

Registration History – Rihawi

5. From January 23, 2012 to August 21, 2014, Rihawi was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Rihawi is not currently registered in the securities industry in any capacity.

Registration History - Attal

6. From September 24, 2008 to August 21, 2014, Attal was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. From December 12, 2012 to August 21, 2014, Attal was also designated as the Branch's branch manager. Attal is not currently registered in the securities industry in any capacity.

Registration History - Ajmal

7. From May 2, 2012 to August 21, 2014, Ajmal was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Ajmal is not currently registered in the securities industry in any capacity.

Registration History - Roomal

8. From September 24, 2008 to August 21, 2014, Roomal was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Roomal is not currently registered in the securities industry in any capacity.

Registration History - Mustafa

9. From March 25, 2011 to August 21, 2014, Mustafa was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Mustafa is not currently registered in the securities industry in any capacity.

Registration History - Zobair

10. From March 29, 2012 to August 21, 2014, Zobair was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Zobair is not currently registered in the securities industry in any capacity.

Registration History - Tabesh

11. From February 15, 2008 to August 21, 2014, Tabesh was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Tabesh is not currently registered in the securities industry in any capacity.

Registration History - Kolgekaya

12. From April 16, 2008 to August 21, 2014, Kolgekaya was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Kolgekaya is not currently registered in the securities industry in any capacity.

Registration History - Lieu

13. From February 13, 2012 to August 21, 2014, Lieu was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Lieu is not currently registered in the securities industry in any capacity.

Registration History - Fortes

14. From May 15, 2012 to August 21, 2014, Fortes was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Fortes is not currently registered in the securities industry in any capacity.

Registration History - Rawani

15. From January 14, 2010 to August 21, 2014, Rawani was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Rawani is not currently registered in the securities industry in any capacity.

Registration History - Pathan

16. From September 28, 2009 to August 21, 2014, Pathan was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Pathan is not currently registered in the securities industry in any capacity.

Registration History - Masood

17. From November 7, 2013 to August 21, 2014, Masood was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Masood is not currently registered in the securities industry in any capacity.

Registration History - Lima

18. From May 24, 2012 to August 21, 2014, Lima was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG. Lima is not currently registered in the securities industry in any capacity.

Allegation #1 – Falsification of KYC Information and Client Documents

19. Between 2008 and August 21, 2014, the Respondents recommended to at least 51 clients that the clients borrow monies and use the proceeds of the investment loans to purchase mutual funds for their accounts at WFG.¹

20. In the course of assisting the clients to obtain the investment loans, the Respondents prepared and submitted new client account forms (“NCAFs”) and loan applications, which they knew or ought to have known contained falsified, fabricated, incorrect, and/or misleading information. Among other things, the Respondents:

- a) inflated the market values of the clients’ residences on the loan applications without consulting the clients about the market values of their residences or by ignoring the market value estimates provided by the clients;

¹ The individual Respondents’ participation in recommending and implementing a leveraged investment strategy in the accounts of at least 51 clients commenced on or about the date they became registered as mutual fund salesperson with WFG. All of the Respondents’ individual participation in recommending and implementing a leveraged investment strategy ended on August 21, 2014 when WFG terminated their registration as a result of the facts alleged in this Notice of Hearing.

- b) reported on the loan applications and/or NCAFs that the clients owned cash or liquid assets which the clients did not own or which the Respondent inflated in value;
- c) reported on the clients' loan applications that the clients owned other investments which the clients did not in fact own or which the Respondents inflated in value;
- d) reported on the loan applications and/or NCAFs that the clients had "good" investment knowledge and a "high" risk tolerance when the clients had limited to nil investment knowledge and a risk tolerance less than "high";
- e) reported on the clients' loan applications that the clients owned properties or other assets (such as cars) which the clients did not own or which the Respondents inflated in value;
- f) failed to report the true nature and extent of the clients' liabilities on the loan applications when many of the clients had material liabilities, and without making adequate or any inquiries to determine whether the clients had any liabilities;
- g) inflated the clients' net worth on the clients' NCAFs and loan applications; and
- h) inflated the clients' income on the clients' NCAFs and loan applications.

21. In addition, the Respondents falsified, fabricated or altered information contained in documents provided by the clients, including bank statements, investment statements, pay stubs, and Canada Revenue Agency Notices of Assessment. The Respondents submitted the client documents to lenders as part of the applications for investment loans.

22. The Respondents engaged in the activities described in paragraph 20 above, without the knowledge or instructions of the clients, to ensure that the information contained in the client documents matched the false information that the Respondents had reported on the clients' NCAFs and loan applications.

23. Prior to February 2012, each of the Respondents falsified, fabricated or altered information in the client documents each of them submitted in support of client investment loan applications.

24. Commencing in or about February 2012, the Respondents arranged for Lieu to falsify, fabricate or alter client documents on their behalf. For every client document Lieu falsified, fabricated or altered, the Respondents paid him a fee.

25. The following table identifies the number of investment loans recommended, and number of falsified documents submitted to WFG and/or the lenders, by each of the Respondents in the manner described above:

Respondent Name	# of Client Loans	# of Altered or Falsified Documents
Attal Golzay	1	2
Mustafa Hashimi	5	11
Sama Tabesh	6	6
Saadet Kolgekaya	11	19
Mahmoud Rihawi	8	21
Roomal Golzay	3	4
Ajmal Golzay	2	2
Zobair Hashimi	2	5
Shameel Rawani	3	4
Anjum Pathan	1	1
Mohammad Masood	3	7
Hammond Lieu	4	9
Rhea Fortes	1	3
Juliene Lima	1	1
Totals	51	95

26. By virtue of the foregoing conduct, the Respondents falsified, fabricated or altered clients' KYC information on account forms submitted to the Member, and information on loan applications and client documents submitted to lenders, in order to obtain at least 51 investment loans to purchase mutual funds on behalf of clients, thereby failing to observe the high standards of ethics and conduct in the transaction of business, and engaging in conduct unbecoming an Approved Person, contrary to MFDA Rule 2.1.1.

Allegation #2 – Failure to Ensure Loan Recommendations were Suitable

27. At all material times, WFG’s policies and procedures required its Approved Persons, including the Respondents, to assess and determine whether a leveraged investment recommendation was suitable for a client having regard to certain criteria. In particular, WFG’s policies and procedures stated:

General: It must be kept in mind at all times that leveraging (borrowing for securities purchases), as with any investment strategy, is not suitable for all clients. Before leveraging is used, it is important that you carefully review the matter for suitability based on the specific investment objectives, needs, investing experience, financial position and their capacity to service debt load.

You should carefully review with each client, the risks inherent to leveraging. In particular, the client must be advised that changes in interest rates and/or value of funds can result in the client having to make payments for the loans from other resources.

Leveraging Parameters. Clients must have the following as a minimum:

- A good investment knowledge;
- High risk tolerance;
- A Long term investment horizon;
- No Margin Loan, the borrowed amount SHOULD NOT exceed 50% of the clients’ total net worth; and
- Margin Loan, the borrowed amount SHOULD NOT exceed 50% of the clients’ total liquid assets.
- Clients must be able to afford to service their debt load using their own demonstrated personal income. The following methods to fund a loan are “prohibited”: systematic withdrawal plans (SWP’s) and cash distributions from underlying funds. [Underline added.]

28. The Respondents recommended at least 51 investment loans to clients as described above without taking adequate or any steps to ensure that the loans were suitable for the clients.

29. The majority of the clients had limited to no investment knowledge, had limited to no prior investing experience, and had never previously borrowed monies to invest.

30. In addition, the Respondent's knew or ought to have known that the clients could not afford to pay the costs of servicing the investment loans from their own personal income or withstand the risk of investment loss associated with using borrowed monies to invest.

31. The Respondents engaged in the conduct described in paragraphs 19-25 above in order to:

- a) increase the likelihood that the lenders would approve the clients' investment loans; and
- b) make it appear to WFG's supervisory and compliance staff as though the clients satisfied WFG's requirements regarding the use of leveraging, as set out in its policies and procedures, when the clients did not satisfy these requirements.

32. By engaging in the conduct described above, the Respondents were able to sell more mutual funds to clients, thereby inflating the sales commissions and fees the Respondents were entitled to receive.

33. By virtue of the foregoing, the Respondents failed to ensure that at least 51 investment loans recommended to clients were suitable for the clients and in keeping with the clients' investment objectives, having regard to the clients' relevant "Know-Your-Client" information and financial circumstances, contrary to the Member's policies and procedures, and MFDA Rules 2.2.1 and 2.1.1.

Allegation #3 – The Respondents Misled WFG

34. In December 2013, WFG received a client complaint alleging that Rihawi had recommended unsuitable investment loans in the client's account (the "Rihawi Complaint").

35. In or about February 2014, MFDA Staff commenced an investigation of the Rihawi Complaint. As part of its initial review of the Rihawi Complaint, WFG compliance staff obtained documents from the client, including the client's bank statements, a pay stub and CRA Notices of

Assessment. The client claimed to have provided these documents to Rihawi at the time she applied for an investment loan at Rihawi's recommendation, but the information on those documents did not match the information on the documents contained in her client file at WFG. The information on the documents in the client file appeared to have been falsified, fabricated or altered to inflate the clients' income and assets.

36. On or about June 21, 2014, Rihawi, Attal, Mustafa, Tabesh, Roomal, Rawani, Masood, Fortes, and Lieu attended a meeting to discuss, and devise a collective response to, WFG's investigation.

37. In July 2014, WFG received a client complaint alleging that Kolgekaya had recommended and implemented an unsuitable leveraged investment strategy in the complaining client's account (the "Kolgekaya Complaint"). As part of its initial review of the Kolgekaya Complaint, WFG compliance staff obtained documents from the complaining client, including the client's bank statements, a pay stub and CRA Notices of Assessment. The client claimed to have provided these documents to Kolgekaya at the time she applied for an investment loan at Kolgekaya's recommendation, but the information on those documents did not match the information on the documents located in her client file at WFG. The information appeared to have been falsified, fabricated or altered to inflate the clients' income and assets.

38. In July 2014, further to requests made by MFDA Staff, WFG compliance staff expanded its investigation of the Rihawi and Kolgekaya Complaints to review all leveraged activity at the Branch. In total, WFG compliance staff reviewed approximately 150 leveraged client account files maintained by all Approved Persons operating at the Branch. WFG compliance staff further obtained and reviewed documents from the investment loan companies that had provided loans to those 150 client accounts.

39. In July 2014, all of the Respondents attended a meeting to discuss, and devise a collective response to, WFG's investigation.

40. During both the June 21, 2014 and July 2014 meetings, the Respondents agreed not to reveal to WFG their roles in falsifying, fabricating or altering client information in NCAFs, loan applications, or client documents submitted with the loan applications. Instead, the Respondents agreed to maintain a unified response, and deny any knowledge, responsibility or wrongdoing with respect to the falsified, fabricated or altered documents.

41. By the end of July 2014, WFG determined that documents pertaining to at least 51 client investment loans had been falsified, fabricated or altered. As a result of its findings, WFG compliance staff suspended the Respondents pending a further investigation into their activities.

42. In July and August 2014, WFG compliance staff obtained statements from the Respondents, each of whom stated that they did not know who or why client documents and records at the Branch had been falsified, fabricated or altered.

43. The Respondents therefore provided false and misleading responses to the Member during the course of the Member's investigation into their conduct, contrary to MFDA Rule 2.1.1.

44. On August 21, 2014, WFG terminated each of the Respondents.

Allegation #4 – Attal Failed to Fulfill the Supervisory Responsibilities of a Branch Manager

45. From December 12, 2012 to August 21, 2014, Attal was designated as the Branch Manager of the Branch.

46. During this time, Attal, directly or indirectly through Lieu, falsified, fabricated or altered information contained in at least one NCAF, loan application and/or client document in order to obtain an investment loan for a client he serviced. In addition, Attal knew or ought to have known that the other Respondents at the Branch were engaged in the same practice.

47. Attal failed to report to WFG that the Respondents (including himself) were falsifying, fabricating or altering client KYC information and client documents in order to obtain investment

loans to purchase mutual funds, which prevented the Member from conducting a reasonable supervisory investigation and take such other supervisory measures as may have been warranted in the circumstances contrary to MFDA Rules 2.5.1, 2.5.5, 1.1.2, and 2.1.1, and MFDA Policy No. 2.

Allegations #5 and #6 – The Respondents (Except Lieu and Lima) Failed to Cooperate With an Investigation of the MFDA

48. In October 2014, MFDA Investigations Staff sent letters to the Respondents, by regular mail and registered mail, notifying them that this matter had been escalated to the MFDA's investigations department.

49. Commencing December 18, 2014, MFDA Staff sent letters to each of the Respondents, by regular mail and registered mail, advising that they were required to attend an interview with the MFDA regarding their conduct.

50. All of the Respondents, except Lieu and Lima, failed to cooperate with MFDA Staff's investigation. In particular:

- a) Pathan, Roomal, Zobair, Rawani, and Masood failed to attend at an interview with Staff; and
- b) Rihawi, Mustafa, Tabesh, Attal, Ajmal, Kolgekaya, and Fortes misled MFDA Staff during interviews and/or failed to produce for inspection copies of documents and records requested by the MFDA Staff during the course of its investigation.

Pathan, Roomal, Zobair, Rawani, and Masood

51. Between December 18, 2014 and July 2015, MFDA Investigations Staff made numerous attempts to secure the attendance and participation of Pathan, Roomal, Zobair, Rawani and Masood at interviews in order to obtain their statements. These attempts included letters delivered by regular mail, registered mail and process servers, as well as communications by email and telephone.

52. Despite MFDA Staff's requests, Pathan, Roomal, Zobair, Rawani, and Masood failed attend interviews with MFDA Staff.

53. The failure of Pathan, Roomal, Zobair, Rawani and Masood to attend interviews has frustrated MFDA Staff from determining the full nature and extent of the Respondents' conduct and its ability to complete its investigation.

54. By failing to attend an interview as requested by the MFDA, Pathan, Roomal, Zobair, Rawani and Masood engaged in conduct contrary to s. 22.1 of MFDA By-law No. 1.

Rihawi, Mustafa, Tabesh, Attal, Ajmal, Kolgekaya, and Fortes

55. Between March 6, 2015 and June 25, 2015, Rihawi, Mustafa, Tabesh, Attal, Ajmal, Kolgekaya, and Fortes attended interviews with MFDA Staff.

56. Rihawi, Mustafa, Tabesh, Attal, Ajmal, Kolgekaya and Fortes each misled Staff during the course of their interviews. Among other things, Rihawi, Mustafa, Tabesh, Attal, Ajmal, Kolgekaya, and Fortes falsely denied their roles in altering, falsifying or fabricating client documents and NCAFs in spite of evidence presented to them by Staff during their respective interviews to the effect that: (1) they had in fact deliberately altered, falsified or fabricated client documents and NCAFs or instructed one or more of the other Respondents to do so on their behalf; and (2) they conspired with the other Respondents to deny having do so.

57. In addition to misleading MFDA Staff during their respective interviews, Rihawi and Mustafa undertook to provide MFDA Staff with documents including the following:

- a) Copies of their respective personal bank account statements for MFDA Staff to verify that the bank account statements they submitted to investment loans for the implementation of a leveraged investment strategy in their own personal WFG accounts had not been altered, falsified or fabricated; and

- b) Letters authorizing MFDA Staff to contact Rihawi's former employer in order to confirm and verify the income and job title he had recorded on his own personal WFG NCAF and investment loan application (collectively, the "Undertaking Documents").

58. On March 9, 2015 and March 20, 2015, letters from MFDA Staff were personally served on Rihawi requesting that he provide the Undertaking Documents to MFDA Staff no later than March 27, 2015. The letters also reminded Rihawi of his obligations as a former Approved Person of the MFDA to cooperate with Staff during the course of an investigation and that any failure to provide the Undertaking Documents, as requested, could result in disciplinary proceedings being commenced against him. Rihawi later responded to MFDA Staff that he would not provide the Undertaking Documents.

59. On March 20, 2015 and April 6, 2015, letters from MFDA Staff were personally served on Mustafa requesting that he provide the Undertaking Documents to MFDA Staff no later than April 10, 2015. The letters also reminded Mustafa of his obligations as a former Approved Person of the MFDA to cooperate with Staff during the course of an investigation and that any failure to provide the Undertaking Documents, as requested, could result in disciplinary proceedings being commenced against him. No response to these letters was ever received by MFDA Staff from Mustafa.

60. To date, neither Rihawi nor Mustafa have provided the Undertaking Documents to MFDA Staff. As a result, MFDA Staff has been unable to determine the full nature and extent of the Rihawi's and Mustafa's activities.

61. By engaging in the conduct described above, Rihawi, Mustafa, Tabesh, Attal, Ajmal, Kolgekaya, and Fortes engaged in conduct contrary to section 22.1 of MFDA By-law No. 1.

NOTICE is further given that the Respondents shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that MFDA By-laws provide that if, in the opinion of the Hearing Panel, the Respondents:

- have failed to carry out any agreement with the MFDA;
- have failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- have failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- have engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- a) a reprimand;
- b) a fine not exceeding the greater of:
 - (i) \$5,000,000.00 per offence; and
 - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- d) revocation of the authority of such person to conduct securities related business;
- e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondents pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondents must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Office of the Corporate Secretary within twenty (20) days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: Francis Roy
Fax: 416-361-9073
Email: froy@mfd.ca

A **Reply** shall be **filed** by:

- a) providing four (4) copies of the **Reply** to the Office of the Corporate Secretary by personal delivery, mail or courier to:

The Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: Office of the Corporate Secretary; or

- b) transmitting one (1) copy of the **Reply** to the Office of the Corporate Secretary by fax to fax number 416-361-9781, provided that the Reply does not exceed 16 pages, inclusive of the covering page, unless the Office of the Corporate Secretary permits otherwise; or
- c) transmitting one (1) electronic copy of the **Reply** to the Office of the Corporate Secretary by e-mail at corporatesecretary@mfd.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by the MFDA in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the MFDA in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondents fail:

- a) to **serve** and **file a Reply**; or
- b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondents, and the Hearing Panel may accept the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing as having been proven and may impose any of the penalties described in the By-laws.



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Hammond Lieu

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Settlement Hearing, the Mutual Fund Dealers Association of Canada (the “MFDA”) will announce that it proposes to hold a hearing to consider whether, pursuant to section 24.4 of By-law No. 1, a hearing panel of the Central Regional Council (the “Hearing Panel”) of the MFDA should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the MFDA (“Staff”) and the Respondent, Hammond Lieu.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff conducted an investigation of the Respondent’s activities. The investigation disclosed that the Respondent had engaged in activity for which the Respondent could be penalized on the exercise of the discretion of the Hearing Panel pursuant to s. 24.1 of By-law No. 1.

3. Staff and the Respondent recommend settlement of the matters disclosed by the investigation in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule “A”.

4. Staff and the Respondent agree that the terms of this Settlement Agreement, including the attached Schedule “A”, will be released to the public only if and when the Settlement Agreement is accepted by the Hearing Panel.

III. ACKNOWLEDGEMENT

5. Staff and the Respondent agree with the facts set out in Part IV herein for the purposes of this Settlement Agreement only and further agree that this agreement of facts is without prejudice to the Respondent or Staff in any other proceeding of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the MFDA (subject to Part IX) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is accepted by the Hearing Panel.

IV. AGREED FACTS

The Respondent’s Registration History

6. The Respondent is one of 14 named Respondents in this proceeding.² He, along with all of the other named Respondents, operated out of the same branch office of WFG Securities Inc. (“WFG”) or one of its predecessor companies, located in Mississauga, Ontario (the “Branch”).

7. From October 21, 2009 to August 21, 2014, the Respondent was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with WFG.

² After issuance of the Notice of Hearing in this matter on February 28, 2017, Staff of the MFDA withdrew all allegations made as against Juliene da Rosa Lima.

8. In the months prior to becoming registered as a mutual fund salesperson with WFG, the Respondent became a mutual fund client of the Member. At all times, Saadet Kolgekaya (“Kolgekaya”), one of the other Respondents in this proceeding, was the WFG mutual fund salesperson responsible for servicing the Respondent’s mutual fund account.

9. Kolgekaya recruited the Respondent to work and become registered at WFG.

10. At all material times, Kolgekaya received a portion of the commissions and trailer fees earned by the Respondent.

11. The Respondent is not currently registered in the securities industry in any capacity.

Allegation #1 – Falsification of KYC Information and Client Documents

12. Upon commencing work at the Branch, Kolgekaya trained the Respondent on how to operate as a mutual fund salesperson. As part of his training, Kolgekaya, among other things, trained the Respondent on how to recommend and implement a leveraged investment strategy for clients, whereby the clients were recommended to obtain investment loans and use the resulting proceeds to purchase return of capital (“ROC”) mutual funds³ subject to deferred sales charges (“DSC”) for their accounts.⁴

13. Kolgekaya further trained the Respondent on how to, among other things:

- a) interact with clients as part of client meeting she attended with the Respondent;

³ “Return of capital” mutual funds are structured to pay a set monthly amount of proceeds (for example, 8%) to an investor which may include a return of the capital originally invested by the investor. In the event the value of a ROC mutual fund declines due to deteriorating market conditions, poor investment performance or other factors such that the amount of the promised monthly proceeds exceeds the increase in the value of the fund, there is a real and substantial risk that the fund will be required to reduce, suspend or cancel altogether, the monthly proceeds paid to investors.

⁴ The Leveraged Investment Strategy was based on the premise that the ROC mutual funds would generate sufficient proceeds each month to cover the clients’ costs of servicing their investment loans, such that the Leveraged Investment Strategy would pay for itself and the clients would not have to incur any out-of-pocket expenses in order to sustain the Leveraged Investment Strategy.

- b) complete WFG client forms, including, among others, new account application forms, trade order forms and leveraged disclosure documents;
- c) prepare, complete and submit client investment loan applications;
- d) prepare notes of meetings held with clients; and
- e) submit client documents, including leveraged investment strategy proposals, to WFG for approval.

14. Between October 21, 2009, when he first became a registered Approved Person of WFG, and August 21, 2014, the Respondent participated with the other named Respondents in this proceeding in a branch-wide practice of recommending to clients that they borrow monies and use the proceeds of the investment loans to purchase mutual funds for their accounts at WFG.

15. Along with the other Respondents, the Respondent engaged in a widespread scheme at the Branch which involved falsifying, fabricating or altering clients' Know-Your-Client ("KYC") information on account forms submitted to WFG including new account application forms, and information on client documents submitted to lenders such as bank statements, investment statements, pay stubs, or Canada Revenue Agency Notices of Assessment, in order to obtain investment loans to purchase mutual funds in client accounts.

16. In particular, in the course of assisting the clients to obtain the investment loans, the Respondent, along with the other named Respondents in this proceeding, prepared and submitted new client account forms ("NCAFs") and loan applications, which he knew or ought to have known contained falsified, fabricated, incorrect, and/or misleading information. Among other things, the Respondent:

- a) inflated the market values of the clients' residences on the loan applications without consulting the clients about the market values of their residences or by ignoring the market value estimates provided by the clients;
- b) reported on the loan applications and/or NCAFs that the clients held cash or liquid assets which the clients did not hold or which the Respondent inflated in value;

- c) reported on the clients' loan applications that the clients held other investments which the clients did not in fact hold or which the Respondent inflated in value;
- d) reported on the loan applications and/or NCAFs that the clients had "good" investment knowledge and a "high" risk tolerance when the clients had limited to nil investment knowledge and a risk tolerance less than "high";
- e) reported on the clients' loan applications that the clients owned properties or other assets (such as cars) which the clients did not own or which the Respondent inflated in value;
- f) failed to report the true nature and extent of the clients' liabilities on the loan applications when many of the clients had material liabilities, and without making adequate or any inquiries to determine whether the clients had any liabilities;
- g) inflated the clients' net worth on the clients' NCAFs and loan applications; and
- h) inflated the clients' income on the clients' NCAFs and loan applications.

17. In addition, the Respondent falsified, fabricated or altered information contained in documents provided by the clients, including bank statements, investment statements, pay stubs, and Canada Revenue Agency Notices of Assessment. The Respondent submitted the client documents to lenders as part of the applications for investment loans.

18. The Respondent states that he engaged in the activities described in paragraph 14-17 above at the urging of one or more of the following named Respondents, all of whom were more senior to him within the Branch: Kolgekaya, Sama Tabesh ("Tabesh"), Mustafa Sayed Hashimi ("Mustafa"), Zobair Hashimi ("Zobair"), Roomal Golzay ("Roomal"), Attal Golzay ("Attal"), Mahmoud Rihawi ("Rihawi"). The Respondent further states that he agreed to do so on the basis that:

- a) he believed he was helping the clients by assisting them in make investments they otherwise could not afford to make, thereby helping them to increase their wealth; and
- b) his conduct increased the amount of money invested by the clients in mutual funds, and thereby increased the amount of commissions and fees he received.

19. The Respondent engaged in the activities described in paragraph 14-17 above, without the knowledge or instructions of the clients, to ensure that the information contained in the client documents matched the false information that the Respondent had reported on the clients' NCAFs and loan applications. In particular, the Respondent engaged in these practices in order to make it appear as though the clients satisfied WFG's requirements regarding the use of leveraging and to increase the likelihood that the lenders would approve the investment loans.

20. Between October 2009 and August 21, 2014, the Respondent recommended to at least 4 clients for which he was the servicing mutual fund salesperson that they obtain investment loans that he knew or ought to have known the clients could otherwise not afford and for which, without the clients' knowledge, he falsified at least 9 documents submitted to WFG and/or the lenders in the manner described above.

21. Commencing in or about February 2012, the other named Respondents arranged for the Respondent to falsify, fabricate or alter client documents on their behalf. The Respondent agreed to do so. For every client document the Respondent falsified, fabricated or altered at the request of the other named Respondents to this proceeding, the other named Respondents paid the Respondent a fee.⁵

22. In total, from February 2012 to August 21, 2014, the Respondent received between \$7,000 and \$8,000 from the other named Respondents to this proceeding for his work falsifying, fabricating or altering client documents on their behalf.

Allegation #2 – Failure to Ensure Loan Recommendations were Suitable

23. At all material times, WFG's policies and procedures required its Approved Persons, including the Respondents, to assess and determine whether a leveraged investment

⁵ To the extent individually-named Respondents in this proceeding falsified, fabricated or altered information in the client documents each of them submitted in support of client investment loan applications prior to February 2012, the Respondent states that the other Respondents would have done so, or arranged to do so, without the Respondent's knowledge or involvement.

recommendation was suitable for a client having regard to certain criteria. In particular, WFG's policies and procedures stated:

General: It must be kept in mind at all times that leveraging (borrowing for securities purchases), as with any investment strategy, is not suitable for all clients. Before leveraging is used, it is important that you carefully review the matter for suitability based on the specific investment objectives, needs, investing experience, financial position and their capacity to service debt load.

You should carefully review with each client, the risks inherent to leveraging. In particular, the client must be advised that changes in interest rates and/or value of funds can result in the client having to make payments for the loans from other resources.

Leveraging Parameters. Clients must have the following as a minimum:

- A good investment knowledge;
- High risk tolerance;
- A Long term investment horizon;
- No Margin Loan, the borrowed amount SHOULD NOT exceed 50% of the clients' total net worth; and
- Margin Loan, the borrowed amount SHOULD NOT exceed 50% of the clients' total liquid assets.
- Clients must be able to afford to service their debt load using their own demonstrated personal income. The following methods to fund a loan are "prohibited": systematic withdrawal plans (SWP's) and cash distributions from underlying funds. [Underline added.]

24. The Respondent recommended investment loans to at least 4 clients, as described above, without taking adequate or any steps to ensure that the loans were suitable for the clients.

25. The clients to whom the Respondent recommended a leveraged investment strategy had limited to no investment knowledge, had limited to no prior investing experience, and had never previously borrowed monies to invest.

26. In addition, the Respondent knew or ought to have known that the 4 clients could not afford to pay the costs of servicing the investment loans from their own personal income or withstand the risk of investment loss associated with using borrowed monies to invest.

27. The Respondent engaged in the conduct described in paragraphs 16-23 above in order to:

- a) increase the likelihood that the lenders would approve the clients' investment loans; and
- b) make it appear to WFG's supervisory and compliance staff as though the clients satisfied WFG's requirements regarding the use of leveraging, as set out in its policies and procedures, when the clients did not satisfy these requirements.

28. By engaging in the conduct described above, the Respondent was able to sell more mutual funds to clients, thereby inflating the sales commissions and fees he otherwise would have been entitled to receive.

Allegation #3 – The Respondent Misled WFG

29. In December 2013, WFG received a client complaint alleging that Mahmoud Rihawi ("Rihawi"), one of the other Approved Persons at the Branch and a named Respondents to this proceeding, had recommended unsuitable investment loans in the client's account (the "Rihawi Complaint").

30. Upon receipt of the Rihawi Complaint, WFG commenced an investigation. As part of its initial review of the Rihawi Complaint, WFG compliance staff obtained documents from the client, including the client's bank statements, a pay stub and CRA Notices of Assessment. The client claimed to have provided these documents to Rihawi at the time she applied for an investment loan at Rihawi's recommendation, but the information on those documents did not match the information on the documents contained in her client file at WFG. The information on the documents in the client file appeared to have been falsified, fabricated or altered to inflate the clients' income and assets.

31. On June 13 and 21, 2014, the Respondent, along with Rihawi, Attal, Mustafa, Tabesh, Roomal, Shameel Rawani ("Shameel"), Mohammad Yunas Masood ("Masood"), Rhea Galias Fortes ("Fortes"), all of whom were Approved Persons at the Branch and are named Respondents to this proceeding, attended meetings to discuss, and devise a collective response to, WFG's investigation. Without the knowledge of Rihawi, Attal, Mustafa, Tabesh, Roomal, Shameel,

Masood and Fortes, or any of the other named Respondents to this proceeding, the Respondent recorded these June 13 and 21, 2014 meetings. The Respondent later provided the resulting recordings to MFDA Staff during the course of Staff's investigation.

32. During both the June 13 and 21, 2014 meetings, and consistent with the recordings made by the Respondent,⁶ the Respondent and the other named Respondents to this proceeding agreed not to reveal to WFG their roles in falsifying, fabricating or altering client information in NCAFs, loan applications, or client documents submitted with the loan applications. Instead, the Respondents agreed to maintain a unified response, and deny any knowledge, responsibility or wrongdoing with respect to the falsified, fabricated or altered documents.

33. In July 2014, WFG received a client complaint alleging that Kolgekaya had recommended and implemented an unsuitable leveraged investment strategy in the complaining client's account (the "Kolgekaya Complaint"). As part of its initial review of the Kolgekaya Complaint, WFG compliance staff obtained documents from the complaining client, including the client's bank statements, a pay stub and CRA Notices of Assessment. The client claimed to have provided these documents to Kolgekaya at the time she applied for an investment loan at Kolgekaya's recommendation, but the information on those documents did not match the information on the documents located in her client file at WFG. The information appeared to have been falsified, fabricated or altered to inflate the clients' income and assets.

34. In July 2014, further to requests made by MFDA Staff,⁷ WFG compliance staff expanded its investigation of the Rihawi and Kolgekaya Complaints to review all leveraged activity at the Branch. In total, WFG compliance staff reviewed approximately 150 leveraged client account files maintained by all Approved Persons operating at the Branch. WFG compliance staff further obtained and reviewed documents from the investment loan companies that had provided loans to those 150 client accounts.

⁶ See paragraphs 31 above.

⁷ MFDA Staff commenced an investigation in this matter in February 2014.

35. By the end of July 2014, WFG compliance staff suspended all of the named Respondents to this proceeding, including the Respondent, pending a further investigation into their activities.

36. In July and August 2014, WFG compliance staff obtained statements from, among other individuals, the Respondent, who stated to WFG that he did not know who or why client documents and records at the Branch had been falsified, fabricated or altered.

37. The Respondent therefore provided false and misleading responses to the Member during the course of the Member's investigation into his conduct.

38. On August 21, 2014, WFG terminated each of the Respondents to this proceeding, including the Respondent.

Additional Factors

39. The Respondent has not previously been the subject of MFDA disciplinary proceedings.

40. The Respondent has extensively cooperated with Staff throughout its investigation and during this disciplinary proceeding. In addition to admitting the facts and contraventions in this Settlement Agreement, the Respondent provided to MFDA Staff substantial evidence pertaining to his and the Branch's practice of falsifying, fabricating or altering clients' KYC information on account forms submitted to the Member, and information on loan applications and client documents submitted to lenders, in order to facilitate and obtain investment loans to purchase mutual funds for clients which loans the clients did not otherwise qualify for.

41. The Respondent has expressed remorse for his actions.

42. In addition, the Respondent has agreed, if requested by Staff, to provide truthful testimony and evidence (whether by testifying at a hearing or executing an affidavit) in the MFDA's disciplinary proceeding against Rihawi, Attal, Ajmal Golzay, Roomal, Mustafa, Zobair, Tabesh, Kolgekaya, Fortes, Shameel Rawani, Anjum Pathan and Masood (collectively, the "Related

Respondents”) and any further proceeding commenced by the MFDA against any person or entity in relation to any facts or allegations referred to in this Settlement Agreement.

43. In recognition of the Respondent’s admissions and cooperation with Staff, Staff has agreed to the Terms of Settlement set out in Part VI herein.

V. CONTRAVENTIONS

44. As a result of the above, the Respondent admits that between at least October 21, 2009 and August 21, 2014, he:

- a) falsified, fabricated or altered clients’ KYC information on account forms submitted to the Member, and information on loan applications and client documents submitted to lenders, in order to facilitate and obtain investment loans to purchase mutual funds for clients which loans the clients did not otherwise qualify for, thereby failing to observe the high standards of ethics and conduct in the transaction of business, and engaging in conduct unbecoming an Approved Person, contrary to MFDA Rule 2.1.1;
- b) failed to ensure that at least 4 investment loans recommended to clients were suitable for the clients and in keeping with the clients’ investment objectives, having regard to the clients’ relevant “Know-Your-Client” information and financial circumstances, contrary to the Member’s policies and procedures, and MFDA Rules 2.2.1 and 2.1.1; and
- c) engaged in conduct unbecoming an Approved Person by providing false and misleading responses to the Member during the course of the Member’s investigation into his conduct, contrary to MFDA Rule 2.1.1.

VI. TERMS OF SETTLEMENT

45. The Respondent agrees to the following terms of settlement:

- a) the Respondent shall be permanently prohibited from acting as a mutual fund salesperson, pursuant to section 24.1(e) of By-law No. 1, upon the acceptance of this Settlement Agreement; and
- b) the Respondent shall attend in person on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

46. If this Settlement Agreement is accepted by the Hearing Panel, Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the facts set out in Part IV and the contraventions described in Part V of this Settlement Agreement, subject to the provisions of Part IX below. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any contraventions that are not set out in Parts IV and V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the facts and contraventions set out in Parts IV and V, 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.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

47. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central Regional Council of the MFDA on a date agreed to by counsel for Staff and the Respondent. MFDA Settlement Hearings are typically held in the absence of the public pursuant to section 20.5 of MFDA By-law No. 1 and Rule 15.2(2) of the MFDA 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.mfda.ca.

48. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and the Respondent also agree that if this Settlement Agreement is accepted by the Hearing Panel, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive his rights to a full hearing, a review hearing before the Board of Directors of the MFDA 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.

49. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, then the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to s. 24.1.1 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of By-law No. 1.

50. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, 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 him.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

51. 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 section 24.3 of the By-laws of the MFDA against the Respondent based on, but not limited to, the facts set out in Part IV of the 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.

X. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

52. If, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel or an Order in the form attached as Schedule "A" is not made 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 sections 20 and 24 of By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

53. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

XI. DISCLOSURE OF AGREEMENT

54. 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.

55. Any obligations of confidentiality shall terminate upon acceptance of this Settlement Agreement by the Hearing Panel.

XII. EXECUTION OF SETTLEMENT AGREEMENT

56. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

57. A facsimile copy of any signature shall be effective as an original signature.

DATED this 10th day of May, 2018.

“Hammond Lieu”

Hammond Lieu

“SS”

Witness – Signature

SS

Witness – Print Name

“Shaun Devlin”

Shaun Devlin

Staff of the MFDA

Per: Shaun Devlin

Senior Vice-President,

Member Regulation – Enforcement

Schedule “A”

**Order
File No.**



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Hammond Lieu

ORDER

WHEREAS on February 28, 2017, the Mutual Fund Dealers Association of Canada (the “MFDA”) issued a Notice of Settlement Hearing pursuant to section 24.4 of By-law No. 1 in respect of, among others, Hammond Lieu (the “Respondent”);

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated May 10, 2018 (the “Settlement Agreement”), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to ss. 20 and 24.1 of By-law No. 1;

AND WHEREAS the Hearing Panel is of the opinion that between at least October 21, 2009 and August 21, 2014 the Respondent:

- a) Falsified, fabricated or altered clients’ KYC information on account forms submitted to the Member, and information on loan applications and client

documents submitted to lenders, in order to facilitate and obtain investment loans to purchase mutual funds for clients which loans the clients did not otherwise qualify for, thereby failing to observe the high standards of ethics and conduct in the transaction of business, and engaging in conduct unbecoming an Approved Person, contrary to MFDA Rule 2.1.1.

- b) Failed to ensure that at least 4 investment loans recommended to clients were suitable for the clients and in keeping with the clients' investment objectives, having regard to the clients' relevant "Know-Your-Client" information and financial circumstances, contrary to the Member's policies and procedures, and MFDA Rules 2.2.1 and 2.1.1; and
- c) Engaged in conduct unbecoming an Approved Person by providing false and misleading responses to the Member during the course of the Member's investigation into his conduct, contrary to MFDA Rule 2.1.1.

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a consequence of which:

1. If at any time a non-party to this proceeding, with the exception of the bodies set out in section 23 of MFDA By-law No. 1, requests production of or access to exhibits in this proceeding that contain personal information as defined by the MFDA Privacy Policy, then the MFDA Corporate Secretary shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all personal information, pursuant to Rules 1.8(2) and (5) of the *MFDA Rules of Procedure*; and

2. The Respondent is permanently prohibited from acting as a mutual fund salesperson, pursuant to section 24.1(e) of By-law No. 1.

DATED this [day] day of [month], 20[].

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]