



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: Jingshan (Sarah) He

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel of the Pacific Regional Council (“Hearing Panel”) of the Mutual Fund Dealers Association of Canada (“MFDA”) on February 22, 2022 at 10:30 a.m. (Pacific), or as soon thereafter as the appearance can be held, concerning a disciplinary proceeding commenced by the MFDA against Jingshan (Sarah) He (“Respondent”). Members of the public who would like to listen to the teleconference should contact hearings@mfd.ca to obtain particulars.

DATED this 22nd day of December, 2021.

“Michelle Pong”

Michelle Pong
Director, Regional Councils

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Telephone: 416-945-5134
Email: corporatesecretary@mfd.ca

NOTICE is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

Allegation #1: Between January 2018 and November 6, 2019, the Respondent engaged in unapproved outside activities, contrary to the Member's policies and procedures and MFDA Rules 1.3, 2.1.1, 2.5.1, and 1.1.2.

Allegation #2: Between January 2018 and November 2019, the Respondent engaged in personal financial dealings with clients, which gave rise to a conflict or potential conflict of interest that she failed to disclose to the Member or otherwise address by the exercise of responsible business judgment influenced only by the best interests of the client, contrary to MFDA Rules 2.1.4¹ and 2.1.1.

Allegation #3: In or about January 2019, the Respondent made false representations to the Member on an annual compliance questionnaire, contrary to MFDA Rule 2.1.1.

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:

Registration History

1. From July 2017 until November 6, 2019, the Respondent was registered in British Columbia as a dealing representative with CIBC Securities Inc. (the "Member"), a Member of the MFDA.
2. On or about November 6, 2019, the Member terminated the Respondent's registration, and she is not currently registered in the securities industry in any capacity.
3. At all material times, the Respondent conducted business in the Burnaby, British Columbia area.

¹ On June 30, 2021, MFDA Rule 2.1.4 was amended to conform with client focused reform amendments to National Instrument 31-103 that came into effect on the same day. As the conduct addressed in this Notice of Hearing pre-dated the amendment to this Rule, all allegations set out in this Notice of Hearing that make reference to that Rule concern the version of the Rule that was in effect between February 27, 2006 and June 30, 2021.

Background

Daycare Business

4. At all material times, clients A and B were clients of the Member.
5. Commencing in 2018, the Respondent, along with clients A and B, as well as another Approved Person at the Member, contributed monies towards the establishment of a daycare business to be operated in Burnaby, British Columbia (the “Daycare Business”).
6. In or around January 2019, the Respondent incorporated the company 119736 B.C. Ltd. in order to operate the Daycare Business (the “Numbered Company”). The Respondent was also a director of the Numbered Company.
7. The Respondent held a 51% shareholder interest in the Daycare Business. Clients A and B held a 29% and 10% shareholder interest in the Daycare Business, respectively.
8. The Respondent and the clients jointly contributed monies towards the payment of expenses relating to the establishment of the Daycare Business. In particular, client A contributed at least \$50,561, client B contributed at least \$17,435, and the Respondent contributed at least \$87,175 toward the expenses to establish the Daycare Business.
9. Clients A and B provided the monies referred to in paragraph 8 above to the Respondent, who subsequently transferred the monies to her bank account in order to jointly pay expenses relating to the establishment or operation of the Daycare Business.
10. The Respondent did not obtain approval from the Member to:
 - a) establish or operate the Daycare Business or
 - b) incorporate the Numbered Company;
 - c) hold the position of director of the Numbered Company; or
 - d) accept monies from the clients for the purpose of jointly paying expenses relating to the establishment into the Daycare Business.

Allegation #1 – Unapproved Outside Activity

11. At all material times, the Member’s policies and procedures required its Approved Persons to obtain approval from the Member before engaging in outside business activities.

12. As described above, the Respondent incorporated the Numbered Company, held the position of director, and established or operated the Daycare Business without obtaining prior approval from the Member.

13. By virtue of the foregoing, the Respondent engaged in conduct that was contrary to the Member's policies and procedures, as well as MFDA Rules 1.3, 2.1.1, 2.5.1, and 1.1.2.

Allegation #2 – Personal Financial Dealings with Clients

14. At all material times, the Member required its Approved Persons to adhere to a code of conduct and “Managing Conflicts of Interest Policy” which, among other things, required its Approved Persons to identify and avoid conflicts of interest.

15. As described above, the Respondent engaged in personal financial dealings with clients by obtaining monies from clients to finance the establishment and operation of the Daycare Business, which gave rise to a conflict or potential conflict of interest that the Respondent failed to disclose to the Member or otherwise address by the exercise of responsible business judgment influenced only by the best interests of the clients.

16. By virtue of the foregoing, the Respondent engaged in conduct that was contrary to MFDA Rules 2.1.4 and 2.1.1.

Allegation #3 - False Annual Attestation

17. In January 2019, the Respondent completed an annual attestation that she submitted to the Member wherein she stated that she had sought and obtained approval from the Member to engage in any outside activities, and that all relevant information pertaining to the activities were up to date.

18. The Respondent's statement to the Member was false, as the Respondent became engaged in outside activities in respect of the Daycare Business commencing in 2018, which she had not disclosed to or obtained approval from the Member to engage in at the time that she completed the January 2019 annual attestation.

19. By completing an annual attestation that falsely stated that the Respondent had sought and obtained approval for her outside activities as described above, the Respondent engaged in conduct that was contrary to MFDA Rule 2.1.1.

NOTICE is further given that the Respondent 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 Respondent:

- has failed to carry out any agreement with the MFDA;
- has 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;
- has failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- has 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; and
- 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 Respondent 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 Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Office of the Corporate Secretary within twenty 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
Suite 850, 800 - 6th Avenue SW
Calgary, AB T2P 3G3
Attention: Justin Dunphy
Email: jdunphy@mfd.ca

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

- a) providing four 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 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 Respondent fails:

- 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 Respondent, 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.

END.

DM 862413