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Now New Self-Regulatory Organization of Canada, a consolidation of IIROC and the MFDA

**IN THE MATTER OF  
THE MUTUAL FUND DEALER RULES<sup>1</sup>  
and  
Jingshan (Sarah) He**

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**SETTLEMENT AGREEMENT**

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**I. INTRODUCTION**

1. The New Self-Regulatory Organization of Canada, a consolidation of IIROC and the MFDA (the “Corporation”) will announce that it proposes to hold a hearing (the “Settlement Hearing”) to consider whether, pursuant to section 24.4 of MFDA By-law No. 1, a hearing panel (the “Hearing Panel”) should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the Corporation (“Staff”) and Jingshan (Sarah) He (the “Respondent”).

2. Staff and the Respondent consent and agree to the terms of this Settlement Agreement.

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

**II. CONTRAVENTIONS**

4. The Respondent admits to the following violations of the By-laws, Rules or Policies of the MFDA:

- a) 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, and 1.1.2 (as it relates to MFDA Rule 2.5.1) (now Mutual Fund Dealer Rules 1.3, 2.1.1, 1.1.2, and 2.5.1);
- b) 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 (now Mutual Fund Dealer Rules 2.1.4 and 2.1.1); and
- c) 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 (now Mutual Fund Dealer Rule 2.1.1).

### **III. TERMS OF SETTLEMENT**

5. Staff and the Respondent agree and consent to the following terms of settlement:

- a) the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any Member of the MFDA for a period of 2 years, pursuant to section 24.1.1(e) of MFDA By-Law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(c));
- b) the Respondent shall pay a fine of \$20,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(b));
- c) the Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA Bylaw No. 1 (now Mutual Fund Dealer Rule 7.4.2);
- d) the Respondent shall in the future comply with Mutual Fund Dealer Rules 1.3, 2.1.1, 2.1.4, 1.1.2, and 2.5.1; and

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<sup>1</sup> 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 Settlement Agreement pre-dated the amendment to this Rule, all allegations set out in this Settlement Agreement that make reference to that Rule concern the version of the Rule that was in effect between February 27, 2006 and June 30, 2021.

- e) the Respondent shall attend in person via videoconference, on the date set for the Settlement Hearing.

6. Staff and the Respondent agree to the settlement on the basis of the facts set out in this Settlement Agreement herein and consent to the making of an Order in the form attached as Schedule “A”.

#### **IV. AGREED FACTS**

##### **Registration History**

7. 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 (now a Dealer Member of the Corporation).

8. 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.

9. At all material times, the Respondent conducted business in the Burnaby, British Columbia area.

##### **Outside Activities and Personal Financial Dealings with Clients**

10. At all material times, the Member’s policies and procedures required its Approved Persons to seek approval from the Member prior to engaging in outside business activities, and also required its Approved Persons to adhere to a code of conduct that addressed subject matter including “Managing Conflicts of Interest Policy” and, among other things, required its Approved Persons to identify and avoid conflicts of interest.

11. At all material times, clients A and B were clients of the Member. The Respondent did not service the Member accounts of clients A and B.

12. Commencing in 2018, the Respondent, along with clients A and B, as well as another Approved Person at the Member, invested in a daycare business to be operated in Burnaby, British Columbia (the “Daycare Business”).

13. 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.

14. The Respondent held 51% of the shares in the Daycare Business. Clients A and B held a 29% and 10% shareholder interest in the Daycare Business, respectively.

15. The Respondent states that at all material times, clients A and B were aware that the Respondent incorporated the Numbered Company, and were aware that the Respondent was an Approved Person with the Member.

16. 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.

17. Clients A and B provided the monies referred to in paragraph 16 above, to the Respondent, who subsequently transferred the monies to her personal bank account with the authorization of clients A and B in order to finance the startup costs and operation of the Daycare Business.

18. The Respondent did not obtain approval from the Member to:

- a) establish or operate the Daycare Business;
- b) incorporate the Numbered Company;
- c) hold the position of director of the Numbered Company; or
- d) accept monies from the Member’s clients to finance the startup costs of the Daycare Business.

19. By failing to seek approval from the Member regarding the conduct described in paragraph 18, above, the Respondent entered into an unapproved outside activity in contravention of MFDA Rules.

20. By engaging in personal financial dealings with clients as described above, the Respondent’s conduct gave rise to conflicts or potential conflicts 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 in contravention of MFDA Rules and the policies and procedures of the Member.

### **False Annual Attestation**

21. 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.

22. 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 and she had not disclosed to or obtained approval from the Member to engage in the Daycare Business at the time that she completed the January 2019 annual attestation.

23. The Respondent states that at the time when she made the annual attestation, she did not understand that she was required to obtain approval from the Member before becoming engaged with the financing and operation of the Daycare Business. The Respondent acknowledges and now understands that she was required to obtain approval from the Member before becoming involved in the Daycare Business.

### **Additional Factors**

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

25. To date, no clients have complained about the Respondent's conduct or reported financial losses associated with the operation of the Daycare Business.

26. The Respondent states that as of the date of this Settlement Agreement, the Daycare Business remains a going concern that is operational.

27. The Respondent has co-operated with Staff during its investigation of her conduct.

28. By entering into this Settlement Agreement, the Respondent has saved the Corporation the time, resources, and expenses associated with conducting a contested hearing of the allegations.

## V. ADDITIONAL TERMS OF SETTLEMENT

29. This settlement is agreed upon in accordance with section 24.4 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.4) and Rules 14 and 15 of the MFDA Rules of Procedure.

30. The Settlement Agreement is subject to acceptance by the Hearing Panel. At or following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement. MFDA Settlement Hearings are typically held in the absence of the public pursuant to section 20.5 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.3.5) 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](http://www.mfda.ca).

31. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately, and any suspensions, revocations, prohibitions, conditions or other terms of the Settlement Agreement shall commence, upon the effective date of the Settlement Agreement.

32. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel:

- a) the Settlement Agreement will constitute the entirety of the evidence to be submitted at the settlement hearing, subject to Rule 15.3 of the MFDA Rules of Procedure;
- b) the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal before the Board of Directors of the Corporation 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;
- c) except for any proceedings commenced to address an alleged failure to comply with this Settlement Agreement, Staff will not initiate any proceeding under the Mutual Fund Dealer Rules against the Respondent in respect of the facts and contraventions described in this Settlement Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any facts and contraventions that are not set out in this Settlement Agreement, 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;

- d) the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to section 24.1.1 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1) for the purpose of giving notice to the public thereof in accordance with section 24.5 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.5); and
- e) 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 the Respondent.

33. 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 Mutual Fund Dealer Rule 7.4.3 against the Respondent based on, but not limited to, the facts set out in this 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.

34. If, for any reason, this Settlement Agreement is not accepted 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 MFDA By-law No. 1 (now Mutual Fund Dealer Rules 7.3 and 7.4), unaffected by the Settlement Agreement or the settlement negotiations.

35. 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. The terms of the Settlement Agreement, including the attached Schedule "A", will be released to the public if and when the Settlement Agreement is accepted by the Hearing Panel.

36. The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement. A facsimile or electronic copy of any signature shall be as effective as an original signature.

**DATED** this 13<sup>th</sup> day of February, 2023.

“Jingshan (Sarah) He”

\_\_\_\_\_  
Jingshan (Sarah) He

\_\_\_\_\_  
Witness – Signature

\_\_\_\_\_  
Witness – Print name

“Charles Toth”

\_\_\_\_\_  
Staff of the Corporation

Per: Charles Toth

New Self-Regulatory Organization of Canada,

Vice-President, Enforcement (Mutual Fund Dealers)

<sup>i</sup> On January 1, 2023, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association of Canada (the “MFDA”) were consolidated into a single self-regulatory organization that is temporarily called the New Self-Regulatory Organization of Canada (referred to herein as the “Corporation”) and is recognized under applicable securities legislation. The Corporation adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the “Interim Rules”). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation. Pursuant to Mutual Fund Dealer Rule 1A and s. 14.6 of By-law No. 1 of the Corporation, contraventions of former MFDA regulatory requirements may be enforced by the Corporation. Pursuant to Rule 1A of the Mutual Fund Dealer Rules, MFDA By-law No. 1 continues to be applicable to this proceeding.



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Now New Self-Regulatory Organization of Canada, a consolidation of IIROC and the MFDA

**IN THE MATTER OF  
THE MUTUAL FUND DEALER RULES<sup>i</sup>**

**and**

**Jingshan (Sarah) He**

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**ORDER**

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**WHEREAS** on December 22, 2021, the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Hearing pursuant to sections 20 and 24 of MFDA By-law No. 1 (now Mutual Fund Dealer Rules 7.3 and 7.4) in respect of a disciplinary proceeding commenced against the Jingshan (Sarah) He (the "Respondent");

**AND WHEREAS** appearances were held by videoconference before a Hearing Panel of the Pacific Regional Council of the MFDA in this matter on February 22, 2022, May 5, 2022, July 12, 2022, October 13, 2022, and January 11, 2023;

**AND WHEREAS** the Respondent entered into a settlement agreement with Staff of the New Self-Regulatory Organization of Canada, a consolidation of IIROC and the MFDA (the "Corporation") dated [date] (the "Settlement Agreement"), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to sections 20 and 24.1 of MFDA By-law No. 1;

**AND WHEREAS** based upon the admissions of the Respondent in the Settlement Agreement, the Hearing Panel is of the opinion that the Respondent:

- a) Between January 2018 and November 6, 2019, engaged in unapproved outside activities, contrary to the Member's policies and procedures and MFDA Rules 1.3, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1) (now Mutual Fund Dealer Rules 1.3, 2.1.1, 1.1.2, and 2.5.1);
- b) Between January 2018 and November 2019, 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 2.1.4 and 2.1.1 (now Mutual Fund Dealer Rules 2.1.4 and 2.1.1); and
- c) In or about January 2019, made false representations to the Member on an annual compliance questionnaire, contrary to MFDA Rule 2.1.1 (now Mutual Fund Dealer Rule 2.1.1);

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

1. The Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any Member of the MFDA for a period of 2 years pursuant to section 24.1.1(e) of MFDA By-Law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(c)).
2. The Respondent shall pay a fine of \$20,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(b)).
3. The Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.2).
4. If at any time a non-party to this proceeding, with the exception of the bodies set out in Mutual Fund Dealer Rule 6.3 (formerly 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 Corporate Secretary's Office, Mutual Fund Dealer Division of the Corporation 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*.

**DATED** this [day] day of [month], 202[ ].

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Name,  
Chair

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Name,  
Industry Representative

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Name,  
Industry Representative

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<sup>i</sup> On January 1, 2023, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association of Canada (the “MFDA”) were consolidated into a single self-regulatory organization that is temporarily called the New Self-Regulatory Organization of Canada (referred to herein as the “Corporation”) and is recognized under applicable securities legislation. The Corporation adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the “Interim Rules”). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation. Pursuant to Mutual Fund Dealer Rule 1A and s. 14.6 of By-law No. 1 of the Corporation, contraventions of former MFDA regulatory requirements may be enforced by the Corporation. Pursuant to Rule 1A of the Mutual Fund Dealer Rules, MFDA By-law No. 1 continues to be applicable to this proceeding.