



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: Xiang (Shawn) He

Heard: June 28, 2018 in Toronto, Ontario

Decision: June 28, 2018

Reasons for Decision: July 23, 2018

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

| | |
|------------------------|-------------------------|
| Paul M. Moore, QC | Chair |
| Guenther W. K. Kleberg | Industry Representative |
| Edward V. Jackson | Industry Representative |

Appearances:

| | | |
|------------------|---|-------------------------------------|
| Sarah Glickman |) | Counsel for the Mutual Fund Dealers |
| |) | Association of Canada |
| |) | |
| Donna Carson |) | Counsel for the Respondent |
| |) | |
| |) | |
| Xiang (Shawn) He |) | Respondent, in person |
| |) | |

Background

1. The Hearing Panel accepted the settlement agreement dated May 2, 2018 (“Settlement Agreement”) between the staff of the MFDA and Xiang (Shawn) He (“Respondent”). A copy of the Settlement Agreement is attached to these Reasons as Appendix “A”. The agreed facts are set out in Section III of the Settlement Agreement.

Contraventions

2. The Respondent admitted that:

- a) on February 29, 2016, he signed the signature of a client on an account form, and submitted the account form to the Member for processing, contrary to MFDA Rule 2.1.1; and
- b) on March 3, 2016, during the course of the Member’s investigation, he falsely represented to the Member that a client had signed an account form, contrary to MFDA Rule 2.1.1.

Agreed penalties

3. The agreed penalties were: i) a fine of \$9,500; and ii) a costs award of \$2,500.

Considerations

4. The Hearing Panel determined that it had to be satisfied regarding three considerations before it could accept the Settlement Agreement. First, the agreed penalty had to be within an acceptable range taking into account similar cases. Secondly, the agreed penalty had to be fair and reasonable (i.e. proportional to the seriousness of the contravention and taking into consideration other relevant circumstances) and should appear to be so to members of the public and industry. Thirdly, the agreed penalty should serve as a deterrent to the Respondent and to industry. To be

satisfied on these three considerations required an understanding of the particular facts of the case, the circumstances of the Respondent, and the impact on the Respondent of the agreed penalty.

Nature of the Misconduct

5. The conduct by the Respondent was conduct contrary to MFDA Rule 2.1.1.

Other considerations in determining acceptability of agreed penalties

6. There was no evidence that the Respondent received any financial benefit from engaging in the misconduct beyond any commissions and fees that he would normally be entitled to receive if the transactions had been carried out in the proper manner.

7. There was no evidence of client loss or lack of client authorization.

8. The Respondent has not previously been subject to MFDA disciplinary proceedings.

9. The Respondent is no longer registered in the securities industry in any capacity.

10. By entering into the Settlement Agreement, the Respondent has accepted responsibility for his misconduct and avoided the necessity of the MFDA incurring the time and expense of conducting a full disciplinary hearing.

11. The agreed penalties are within the recommendations of the MFDA penalty guidelines and the reasonable range of appropriateness with regard to MFDA decisions submitted to us by staff, made by MFDA Hearing Panels in similar circumstances. They are fair and reasonable and will serve as a specific and general deterrent.

Costs

12. The costs award is reasonable.

Conclusion

13. We concluded that the Settlement Agreement was in the public interest and, consequently, we accepted it.

DATED this 23rd day of July, 2018.

“Paul M. Moore”

Paul M. Moore, QC
Chair

“Guenther W. K. Kleberg”

Guenther W. K. Kleberg
Industry Representative

“Edward V. Jackson”

Edward V. Jackson
Industry Representative

DM 625846



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Re: Xiang (Shawn) He

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Staff of the Mutual Fund Dealers Association of Canada ("Staff") and the Respondent, Xiang (Shawn) He (the "Respondent"), consent and agree to settlement of this matter by way of this agreement (the "Settlement Agreement").

2. Staff conducted an investigation of the Respondent's activities which disclosed 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.

II. JOINT SETTLEMENT RECOMMENDATION

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

4. The Respondent admits to the following violations of the By-laws, Rules or Policies of the Mutual Fund Dealers Association of Canada (“MFDA”):

- a) on February 29, 2016, the Respondent signed the signature of a client of an account form, and submitted the account form to the Member for processing, contrary to MFDA Rule 2.1.1; and
- b) on March 3, 2016, during the course of the Member’s investigation, the Respondent falsely represented to the Member that a client had signed an account form, contrary to MFDA Rule 2.1.1.

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

- a) the Respondent shall pay a fine in the amount of \$9,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
- b) the Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.2 of MFDA By-law No. 1;
- c) the Respondent shall in the future comply with MFDA Rule 2.1.1; and
- d) the Respondent will attend in person, 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 Part III herein and consent to the making of an Order in the form attached as Schedule “A”.

III. AGREED FACTS

Registration History

7. Between December 2015 and March 2016, the Respondent was registered in Ontario as a mutual fund salesperson (now known as a Dealing Representative) with BMO Investments Inc. (“BMO”), a Member of the MFDA.

8. On March 30, 2016, BMO terminated the Respondent’s registration as a result of the conduct that is the subject of this Settlement Agreement, and the Respondent is no longer registered in the securities industry in any capacity.

9. At all material times, the Respondent conducted business in the Toronto, Ontario area.

Signing a client signature

10. On February 26, 2016, the Respondent met with client IV to open a mutual fund account and subsequently submitted the relevant account forms to his branch manager for review.

11. On February 29, 2016, the branch manager reviewed the account forms, identified that the New Account Application Form (the “NAAF”) was missing, and requested that the Respondent provide him with the NAAF.

12. In response to the branch manager’s inquiry, the Respondent created a new NAAF (the “Form”) and signed client IV’s signature on the Form.

13. Within a few hours of the branch manager’s request, the Respondent submitted the Form for review and falsely advised the branch manager that the Respondent had found the missing NAAF.

14. After receiving the Form, the branch manager reviewed it and asked the Respondent whether client IV had signed the Form. The Respondent admitted that he had signed client IV’s signature on the Form.

False Representation to the Member

15. On March 3, 2016, the Respondent provided BMO's compliance department with a written statement in respect of the Form, in which he falsely advised BMO that client IV had signed the Form.

16. On March 16, 2016, during an interview with BMO, the Respondent admitted that he had signed client IV's signature on the Form.

BMO's Investigation

17. As part of its investigation, BMO reviewed a sample of the client files serviced by the Respondent and identified no further concerns.

18. On March 30, 2016, BMO terminated the Respondent's registration.

Additional Factors

19. There is no evidence that the Respondent received any benefit from the conduct set out above.

20. There is no evidence of client loss.

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

22. By entering into this Settlement Agreement, the Respondent has accepted responsibility for his misconduct and has saved the MFDA the time, resources, and expenses associated with conducting a full hearing on the allegations.

IV. ADDITIONAL TERMS OF SETTLEMENT

23. This settlement is agreed upon in accordance with section 24.4 of MFDA By-law No. 1 and Rules 14 and 15 of the MFDA Rules of Procedure.

24. The Settlement Agreement is subject to acceptance by the Hearing Panel which shall be sought at a hearing (the “Settlement Hearing”). 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 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.

25. 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.

26. 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 respecting the Respondent in this matter;
- b) the Respondent waives any 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;
- c) Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the contraventions described in this Settlement

Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any contraventions that are not set out in this Settlement Agreement. 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 s. 24.1.2 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; 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.

27. 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 By-law No. 1, unaffected by the Settlement Agreement or the settlement negotiations.

28. Staff and the Respondent agree that the terms of the 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.

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

DATED this 2nd day of May, 2018.

“Xiang (Shawn) He”

Xiang (Shawn) He

“PH”

Witness – Signature

PH

Witness – Print Name

“Shaun Devlin”

Shaun Devlin

Staff of the MFDA

Per: Shaun Devlin

Senior Vice-President,

Member Regulation – Enforcement



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Re: Xiang (Shawn) He

ORDER

WHEREAS on [date], 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 Xiang (Shawn) He (the "Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, 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 ss. 20 and 24.1 of By-law No. 1;

AND WHEREAS the Hearing Panel is of the opinion that:

- a) on February 29, 2016, the Respondent signed the signature of a client of an account form, and submitted the account form to the Member for processing, contrary to MFDA Rule 2.1.1; and

- b) on March 3, 2016, during the course of the Member’s investigation, the Respondent falsely represented to the Member that a client had signed an account form, contrary to MFDA Rule 2.1.1.

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

1. the Respondent shall pay a fine in the amount of \$9,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.1.1(b) of MFDA By-law No.1;
2. the Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.2 of MFDA By-law No. 1;
3. the Respondent shall in the future comply with MFDA Rule 2.1.1; and
4. 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*.

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

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]