



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: Hui Chuan Lisa Hsu

Heard: September 16, 2022 by electronic hearing in Vancouver, British Columbia

Decision: September 16, 2022

Reasons for Decision: October 24, 2022

REASONS FOR DECISION

Hearing Panel of the Pacific Regional Council:

Susan E. Ross
Nova Aitchison
Barbara E. Fraser

Chair
Industry Representative
Industry Representative

Appearances:

Zaid Sayeed)	Enforcement Counsel for the Mutual Fund
)	Dealers Association of Canada
)	
Hui Chuan Lisa Hsu)	Respondent
)	
)	

1. At the conclusion of an electronic hearing, the Hearing Panel accepted a settlement agreement dated July 15, 2022 (the “Settlement Agreement”) between staff of the Mutual Fund Dealers Association of Canada (the “MFDA”) and the Respondent, Hui Chuan Lisa Hsu. Under the Settlement Agreement, the Respondent agreed:

- a) to a five-year prohibition from conducting securities related business in any capacity while employed by or associated with any MFDA member commencing on the date of acceptance of the Settlement Agreement;
- b) to pay a \$20,000 fine, in instalments; and
- c) to pay costs of \$5,000.

2. In the Settlement Agreement, the Respondent admitted that between July 2017 and June 2019 she engaged in personal financial dealings with clients by borrowing monies from them. These dealings gave rise to conflicts or potential conflicts of interest. The Respondent failed to disclose the conflicts to the MFDA Member with which she was registered, CIBC Securities Inc. (the “Member”), or otherwise ensure that the conflicts were addressed by the exercise of responsible business judgment influenced only by the best interests of the clients. The Respondent admitted that her conduct was contrary to the Member’s policies and procedures and MFDA Rules 1.1.2, 2.1.1, 2.1.4¹ and 2.5.1.

3. The Settlement Agreement is attached as Schedule “1” to these Reasons for Decision.

4. The Respondent was registered as a dealing representative with the Member in Richmond, British Columbia, from October 2016 to May 2020.

5. Between July 2017 and June 2019, the Respondent borrowed \$20,000 and \$30,000, respectively, from two clients. She obtained the loan of \$20,000 from the first client in July 2017 and gave the client a post-dated cheque for repayment in full in June 2018. When that time neared, the Respondent replaced the first postdated cheque with two new postdated cheques by which she repaid the first client \$10,000 in June 2018 and the remaining \$10,000 in June 2019.

¹ Rule 2.1.4 was amended on June 30, 2021. The Respondent’s contraventions concern the version of Rule 2.1.4 that was in effect between February 27, 2006, and June 21, 2021.

6. The Respondent obtained the loan of \$30,000 from the second client in June 2019 and gave the client a post-dated cheque for repayment in full in December 2019. The second client was repaid in full when the post-dated cheque was cashed in January 2020.
7. The Respondent did not disclose her loans from clients to the Member and used the monies she borrowed to pay down a line of credit and other outstanding debts she owed to creditors.
8. The Member's policies and procedures prohibited its Approved Persons from borrowing from clients.
9. The Member terminated the Respondent because of her misconduct. She was not registered in the securities industry in any capacity at the time of the settlement hearing.
10. The Hearing Panel's authority is to either accept or reject the Settlement Agreement. In doing so, we consider whether the proposed penalty falls within a reasonable range of appropriateness having regard to the Respondent's misconduct and the MFDA's primary regulatory objective of protecting the investing public.
11. Key considerations for determining the reasonableness of a settlement are:
 - a) the seriousness of the Respondent's conduct;
 - b) the Respondent's past conduct, including prior sanctions;
 - c) the Respondent's experience and level of activity in the capital markets;
 - d) whether the Respondent recognizes the seriousness of the improper activity;
 - e) the harm suffered by investors as a result of the Respondent's activities;
 - f) the benefits received by the Respondent as a result of the improper activity;
 - g) the risk to investors and the capital markets in the jurisdiction, were the Respondent to continue to operate in capital markets in the jurisdiction;
 - h) the damage caused to the integrity of the capital markets in the jurisdiction by the Respondent's improper activities;
 - i) the need to deter not only those involved in the case being considered, but also any others who participate in the capital markets, from engaging in similar improper activity;
 - j) the need to alert others to the consequences of inappropriate activities for those who are permitted to participate in the capital markets; and
 - k) previous decisions made in similar circumstances.

Headley (Re), 2006 LNCMFDA 3, at pages 16-17

12. Rule 2.1.4 prescribes the duties of Approved Persons when dealing with conflicts of interest. During the period of the Respondent's personal financial dealings with the clients in this case, Rule 2.1.4 required the Respondent to be aware of the possibility of conflicts of interest arising between her own interests and the interests of clients. She was required to immediately disclose any such conflict or potential conflict of interest to the Member, and to ensure that the conflict was addressed by the exercise of responsible business judgment influenced only by the best interests of the client.

13. The MFDA had issued a Staff Notice stating that, "[b]orrowing from a client by either the Member or Approved Person raises a significant and direct conflict that in almost all cases will be impossible to resolve in favour of the client."

MFDA Notice #MSN-0047 dated October 3, 2005

14. MFDA Hearing Panels had also repeatedly held that:

- a) borrowing money from a client gives rise to a conflict of interest under Rule 2.1.4;
- b) failing to take proper actions to disclose and address a conflict of interest with a client contravenes the standard of conduct required of all registrants under Rule 2.1.1; and
- c) failing to comply with Member policies and procedures also contravenes the standard of conduct under Rule 2.1.1.

Tonnies (Re), [2005] Hearing Panel of the Prairie Regional Council, MFDA File No. 200503, Hearing Panel Decision dated June 27, 2005, at pp. 14-16, 18-19

Davis (Re), [2016] Hearing Panel of the Prairie Regional Council, MFDA File No. 201615, Hearing Panel Decision dated November 16, 2016, at paras. 16, 25, 39

Huang (Re), [2016] Hearing Panel of the Central Regional Council, MFDA File No. 201538, Hearing Panel Decision dated October 21, 2016, at paras. 12-16

15. Enforcement Counsel referred us to decisions that demonstrate a range of sanctions imposed by MFDA hearing panels in other cases involving loans from clients.

Tonnies (Re), *supra*

Moerike (Re), [2010] Hearing Panel of the Prairie Regional Council, MFDA File No. 200912, Hearing Panel Decision dated July 28, 2010

Phillips (Re), [2020] Hearing Panel of the Atlantic Regional Council, MFDA File No. 2018117, Hearing Panel Decision dated March 16, 2020

Boker (Re), [2021] Hearing Panel of the Central Regional Council, MFDA File No. 202179, Hearing Panel Decision dated May 11, 2022

Lipovetsky (Re), [2013] Hearing Panel of the Central Regional Council, MFDA File No. 201252, Hearing Panel Decision dated July 25, 2013

Sukhdeo (Re), [2017] Hearing Panel of the Central Regional Council, MFDA File No. 2016103, Hearing Panel Decision dated October 6, 2017

Smiechowski (Re), [2010] Hearing Panel of the Pacific Regional Council, MFDA File No. 201007, Hearing Panel Decision dated December 31, 2010

16. In these decisions, the trading sanctions ranged from six-month to permanent prohibitions of authority to conduct securities related business. The fines ranged from \$5,000 to \$350,000. The monies borrowed from clients ranged from \$20,000 to \$250,000. The number of clients and transactions ranged from an isolated loan from a single client to repeated transactions with multiple clients. In some cases, the clients were particularly vulnerable.

17. The respondent in *Boker (Re)* also breached their supervisory responsibilities as a branch manager. *Tonnies (Re)* and *Lipovetsky (Re)* were the result of contested hearings, not settlements, and the respondents also failed to cooperate with the MFDA investigation. These two cases drew the highest fines and permanent prohibitions. We also note that the decisions cited to us refer to further similar decisions, each with its own distinct fact pattern.

18. In assessing the seriousness of the Respondent's misconduct, we agree with Enforcement Counsel that the total amount borrowed is not a decisive factor and the number of clients affected, the number of times their monies were put at risk, and whether they were repaid may be more salient factors.

19. The Respondent borrowed substantial amounts from two clients to pay down debts that she owed to third parties. The result was to put the clients' monies at risk for the financial benefit of the Respondent. There is no indication the loans were secured by collateral and the Respondent failed to repay the first loan by the date she had originally promised. She also avoided scrutiny of the loan arrangements by failing to disclose the conflicts of interest to the Member.

20. We must also consider mitigating factors. The Respondent has not previously been the subject of MFDA disciplinary proceedings. She acknowledged that her misconduct was a serious contravention of MFDA Rules, and she saved the MFDA the time, resources, and expenses associated with a contested disciplinary hearing. She repaid the loans in full, though past the originally agreed upon term for the first loan.

21. The Respondent's limited means to pay a financial penalty, hence the agreement to pay the proposed fine in instalments, and the absence of client complaints to the Member or the MFDA about her misconduct are also relevant factors.

22. The Respondent's conduct was clearly in breach of MFDA Rules and prejudicial to the best interests of the clients. The Hearing Panel concluded that the proposed sanctions were appropriate and within a reasonable range having regard to the relevant considerations including general and specific deterrence, protection of the integrity of the capital markets, and sanctions in other cases.

23. The Settlement Agreement was therefore accepted.

DATED this 24th day of October, 2022.

"Susan E. Ross"

Susan E. Ross
Chair

"Nova Aitchison"

Nova Aitchison
Industry Representative

"Barbara E. Fraser"

Barbara E. Fraser
Industry Representative

Schedule "1"

Settlement Agreement

File No. 202226



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: Hui Chuan Lisa Hsu

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The Mutual Fund Dealers Association of Canada (the "MFDA") 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 of the Pacific 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, Hui Chuan Lisa Hsu (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:

Between July 2017 and June 2019, the Respondent engaged in personal financial dealings with clients by borrowing monies from clients, which gave rise to conflicts or potential

conflicts of interest that she failed to disclose to the Member or otherwise ensure were addressed by the exercise of responsible business judgment influenced only by the best interest of the clients, contrary to the policies and procedures of the Member and MFDA Rules 1.1.2, 2.1.1, 2.1.4², and 2.5.1.

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 MFDA Member for a period of five (5) years commencing on the date when the Settlement Agreement is accepted, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
- b) The Respondent shall pay a fine in the amount of \$20,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
- c) The Respondent shall pay costs in the amount of \$5,000, pursuant to s. 24.2 of MFDA By-law No. 1;
- d) The payment of the fine and costs shall be made to and received by the MFDA in certified funds as follows:
 - i. \$5,000 (Costs) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - ii. \$2,500 (Fine) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - iii. \$2,916.70 (Fine) on or before the last business day of the first month following the date of the Settlement Agreement;
 - iv. \$2,916.66 (Fine) on or before the last business day of the second month following the date of the Settlement Agreement;
 - v. \$2,916.66 (Fine) on or before the last business day of the third month following the date of the Settlement Agreement;

² 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, the contravention concerns the version of the Rule that was in effect between February 27, 2006 and June 30, 2021.

- vi. \$2,916.66 (Fine) on or before the last business day of the fourth month following the date of the Settlement Agreement;
- vii. \$2,916.66 (Fine) on or before the last business day of the fifth month following the date of the Settlement Agreement;
- viii. \$2,916.66 (Fine) on or before the last business day of the sixth month following the date of the Settlement Agreement;
- e) The Respondent shall in the future comply with MFDA Rules 1.1.2, 2.1.1, 2.1.4, and 2.5.1; and
- f) The Respondent shall attend in person or by 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 October 6, 2016 to May 28, 2020, the Respondent was registered in British Columbia as a dealing representative with CIBC Securities Inc. (the “Member”), a Member of the MFDA.

8. The Member terminated the Respondent as a result of the conduct described herein, and she is not currently registered in the securities industry in any capacity.

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

Personal Financial Dealings with Clients

10. At all material times, the Member’s policies and procedures prohibited its Approved Persons from borrowing from clients.

Client YW

11. At all material times, client YW was a client of the Member.

12. In or about July 2017, the Respondent obtained a loan from client YW in the total amount of \$20,000. The Respondent told client YW that she would repay the amounts owed by June 2018.

13. In or about July 2017, the Respondent provided client YW with a post-dated cheque in the amount of \$20,000, dated June 4, 2018, to repay the monies that the Respondent borrowed from client YW.

14. In or about June 4, 2018, the Respondent advised client YW that she was experiencing financial difficulties. The Respondent told client YW that she would repay \$10,000 in June 2018, and proposed to pay the remaining \$10,000 in June 2019.

15. In or about June 2018, the Respondent retrieved the post-dated cheque in the amount of \$20,000 that she had previously provided to client YW and provided her with two new post-dated cheques, each in the amount of \$10,000 and dated June 4, 2018 and June 15, 2019 respectively, to repay the monies that she had borrowed from client YW.

16. In June 2018, the Respondent repaid \$10,000 to client YW and, in June 2019, she repaid the remaining \$10,000 that she had borrowed from client YW.

Client SYW

17. At all material times, client SYW was a client of the Member whose accounts were serviced by the Respondent.

18. In or about June 2019, the Respondent requested and obtained a loan from client SYW in the total amount of \$30,000. The Respondent told client SYW that she would repay the amounts owed to him within six months, and provided him with a post-dated cheque in the amount of \$30,000, dated December 20, 2019, to repay the amount that she had borrowed from him.

19. Client SYW deposited the post-dated cheque in or about January 2020 and was thereby repaid the total amount that the Respondent borrowed from him.

20. The Respondent used the monies borrowed from both clients YW and SYW as described above to pay down the Respondent's line of credit and other outstanding debts that the Respondent owed to creditors.

21. By borrowing monies from clients YW and SJW as described above, the Respondent engaged in personal financial dealings with clients that gave rise to conflicts or potential conflicts of interest that the Respondent failed to disclose to the Member or otherwise ensure were addressed by the exercise of responsible business judgment influenced only by the best interests of the client, contrary to the policies and procedures of the Member and MFDA Rules 1.1.2, 2.1.1, 2.1.4, and 2.5.1.

Additional Factors

22. The Respondent had not previously been the subject of MFDA disciplinary proceedings.

23. There are no client complaints to the Member or to the MFDA with respect to the Respondent's conduct described in the Settlement Agreement.

24. The Respondent states that, as a result of her limited financial means, she requires that the fine and costs amount be paid in instalments.

25. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expense associated with conducting a contested hearing of the allegations.

V. ADDITIONAL TERMS OF SETTLEMENT

26. 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.

27. 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 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.

28. 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.

29. 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 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) except for any proceedings commenced to address an alleged failure to comply with this Settlement Agreement, 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, 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 for the purpose of giving notice to the public thereof in accordance with section 24.5 of MFDA 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.

30. 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 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.

31. 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, unaffected by the Settlement Agreement or the settlement negotiations.

32. 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.

33. 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 15th day of July, 2022.

“Hui Chuan Lisa Hsu”

Hui Chuan Lisa Hsu

“CY”

Witness – Signature

CY

Witness – Print name

“Charles Toth”

Staff of the MFDA
Per: Charles Toth
Vice-President, Enforcement



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**IN THE MATTER OF A SETTLEMENT HEARING
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Re: Hui Chuan Lisa Hsu

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") provided notice to the public of a Settlement Hearing in respect of Hui Chuan Lisa Hsu (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 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 between July 2017 and June 2019, the Respondent engaged in personal financial dealings with clients by borrowing monies from clients, which gave rise to conflicts or potential conflicts of interest that she failed to disclose to the Member or otherwise ensure were addressed by the exercise of responsible business judgment influenced only by the best interest of the clients, contrary to the policies and procedures of the Member and MFDA Rules 1.1.2, 2.1.1, 2.1.4, and 2.5.1.

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 MFDA Member for a period of five (5) years commencing on the date of this order, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
2. The Respondent shall pay a fine in the amount of \$20,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
3. The Respondent shall pay costs in the amount of \$5,000, pursuant to s. 24.2 of MFDA By-law No. 1;
4. The payment by the Respondent of the fine and costs shall be made to and received by the MFDA in certified funds as follows:
 - (a) \$5,000 (Costs) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - (b) \$2,500 (Fine) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - (c) 2,916.7 (Fine) on or before [date];
 - (d) 2,916.66 (Fine) on or before [date];
 - (e) 2,916.66 (Fine) on or before [date];
 - (f) 2,916.66 (Fine) on or before [date];
 - (g) 2,916.66 (Fine) on or before [date]; and
 - (h) 2,916.66 (Fine) on or before [date];
5. 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]

DM 897746