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: Hyun Chul Lee

Heard: June 17, 2016, in Vancouver, British Columbia
Decision and Reasons: July 21, 2016

DECISION AND REASONS

Hearing Panel of the Pacific Regional Council:

The Hon. Thomas R. Braidwood, Q.C.	Chair
Elizabeth Chichka	Industry Representative
David B. Webb	Industry Representative

Appearances:

Christopher Corsetti	)	For the Mutual Fund Dealers Association of Canada
Hyun Chul Lee	)	Not present nor represented by counsel

1. Hyun Chul Lee, (the "Respondent") has agreed to a set of facts (the "Agreed Statement of Facts"), that constitute a breach of the Rules of the Mutual Fund Dealers Association of Canada ("MFDA"). The Agreed Statement of Facts is attached as Schedule "A". The issue that was set for this Hearing Panel's determination was the appropriate penalty to be imposed. However, despite his agreement and after due notice, the Respondent has elected not to attend this hearing.

A. Jurisdiction and the Appropriateness to Proceed Against the Respondent

2. On January 5, 2016, the Respondent emailed Mr. Corsetti, counsel for MFDA, confirming that he was available the week of March 14, 2016 for a hearing on the merits in this matter.

3. On January 7, 2016, the first appearance in this matter was held by teleconference. The Chair made an order that the hearing of this matter on its merits would take place on March 16 and 17, 2016 at 10:00 a.m. (Pacific).

4. On February 26, 2016, MFDA Staff ("Staff") sent a letter enclosing the Staff's Penalty Submissions and the Staff's Book of Authorities by Canada Post Registered Mail to the Respondent. The letter stated that the hearing was scheduled for March 17, 2016 at 10:00 a.m. Canada Post confirmed that these documents were sent and received.

5. On March 8, 2016, the MFDA Hearings Manager, emailed the Respondent a copy of the news release dated March 8, 2016 stating that the hearing on the merits that was originally scheduled to take place on March 16 and 17, 2016, will now proceed on March 17, 2016, giving the time and place.

6. On March 8, 2016, Mr. Corsetti emailed the Respondent to confirm his attendance.

7. On March 14, 2016, the Respondent emailed Mr. Corsetti requesting an adjournment of that hearing scheduled for March 17, 2016.

8. Thereafter, various correspondence confirmed that the June 17, 2016 date was available to the parties. The Respondent emailed Mr. Corsetti that he would be attending in person at the hearing as scheduled on June 17, 2016.

9. On March 21, 2016, the MFDA Hearings Manager emailed the Respondent sending the news release confirming the June 17, 2016 hearing details.

10. As mentioned, the Respondent did not attend the June 17, 2016 hearing. The opening of the hearing was delayed awaiting the Respondent's attendance. Accordingly in all of the circumstances, the Hearing Panel decided that it was appropriate that they proceed in his absence.

11. Our jurisdiction is found in the MFDA Rules of Procedure at Rule 13.5 as well as 7.3.

B. Overview

Allegation #1 – Between February 2012 and February 2013, the Respondent engaged in personal financial dealings with clients by, directly or indirectly:

(a) borrowing $60,000.00 from the clients BF and EF, which he invested in a car wash business he owned and operated and then failed to repay in accordance with the terms of the loan; and
(b) recommending and facilitating an investment of $17,999.00 by client LA which the Respondent invested in a wholesale food delivery business he owned and operated and then failed to repay,

thereby placing his own interests ahead of the clients' interests and creating a conflict or potential conflict of interest which the Respondent failed to address by the exercise of responsible business judgment influenced only by the best interests of the clients; contrary to MFDA Rules 2.1.4 and 2.1.1.

Allegation #2 – Between February 2012 and February 2013, the Respondent had and continued in other gainful occupations relating to a car wash business and wholesale food delivery business he owned and operated, which were not disclosed to and approved by the Member, contrary to MFDA Rules 1.2.1(c) (formerly MFDA Rule 1.2.1(d)) and 2.1.1.

Allegation #3 – Between February 15, 2013 and January 2, 2015, the Respondent misled the MFDA and the Member during investigations into his personal financial dealings with clients when he failed to disclose that he had borrowed monies from clients BF and ED, and recommended and facilitated an investment by client LA in a business he owned and operated, thereby failing to cooperate with Staff's investigation, interfering with the Member's ability to conduct a reasonable supervisory investigation of the Respondent's activities and failing to observe high standards of ethics and conduct in the transaction of business, contrary to section 22.1 of MFDA By-law No. 1 and MFDA Rule 2.1.1.

C. Registration History

12. From June 11, 2003 to February 11, 2013, the Respondent was registered in British Columbia as a mutual fund salesperson (now known as a dealing representative) with PFSL Investments Canada Ltd. ("PFSL"), a Member of the MFDA.

13. PFSL terminated the Respondent on February 11, 2013 as a result of the events described herein.

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

15. At all material times, the Respondent conducted business in Surrey and Lac La Hache, British Columbia.

Allegation #1: Personal Financial Dealings

Clients BF and EF

16. From about April 26, 2008 to February 11, 2013, the Respondent was the mutual fund sales person assigned to service the accounts of clients BF and EF at PFSL.

17. On March 7, 2012, the Respondent and clients BF and EF entered into a written loan agreement whereby the Respondent would borrow $60,000.00 from the clients (the "Loan Agreement"). The Loan Agreement named the Respondent and an unincorporated entity through which the Respondent purported to conduct business, "K.I.B.C. Services Ltd.", as borrowers.

18. The Loan Agreement included, among other things, the following terms:

a) clients BF and EF would loan the Respondent the principal sum of $60,000.00 for a term of 36 months;
b) the Respondent would pay clients BF and EF interest at a rate of 6% per annum payable by December 31 each year commencing in 2012; and
c) clients BF and EF could extend the term of the Loan Agreement up to 24 months.

19. On March 12, 2012, in furtherance of the Loan Agreement, the Respondent processed a redemption in clients BF and EF's account with PFSL in the amount of $60,256.00. The Respondent arranged for the proceeds of the redemption to be deposited into the bank account of BF and EF.

20. The Respondent subsequently failed to pay clients BF and EF the interest due under the Loan Agreement or repay the $60,000.00 principal sum of the loan.

21. The Respondent did not disclose to PFSL that he had entered into the Loan Agreement with clients BF and EF, or that the clients had redeemed mutual funds from their account at PFSL in order to loan the monies to the Respondent.

22. To date, the Respondent has failed to repay any amount of the loan to clients BF and EF.

23. At no time was there any evidence of a car wash in existence.

Client LA

24. From April 2010 to July 2012, the Respondent was the mutual fund sales person assigned to service the accounts of client LA at PFSL.

25. At all materials times, client LA was an elderly client who was vulnerable by virtue of her age.

26. In about July 2012, the Respondent approached client LA and recommended that she redeem mutual funds she held with PFSL and invest the monies in an alternative investment which he represented would provide better returns than her mutual funds.

27. The Respondent did not provide client LA with full details regarding the proposed investment but advised client LA that it would generate a return of 4% per annum over a term of 4 to 5 years. The Respondent and client LA did not enter into a written agreement with respect to the investment.

28. On July 8, 2012, the Respondent incorporated a company in British Columbia known as "CKIB Services Ltd." ("CKIB Services") through which he intended to operate a wholesale food delivery business. At all material times, the Respondent was the owner and operator of CKIB Services. The Respondent's wife is a director of the company.

29. On July 13, 2012, the Respondent processed a redemption in client LA's account with PFSL in the amount of $17,840.89 in order to generate the monies for the investment in CKIB Services. The Respondent arranged for the redemption proceeds to be deposited into client LA's bank account.

30. The Respondent purportedly invested the monies provided by client LA into CKIB Services.

31. Between January 2013 and May 13, 2014, the Respondent made payments to client LA totalling $11,250.00. Despite repeated requests made by client LA for the repayment of the monies she provided to the Respondent, the Respondent has not repaid any further monies to client LA in respect of her investment.

32. The Respondent did not disclose to PFSL that he had recommended and facilitated an investment by client LA into CKIB Services, or that client LA had redeemed mutual funds in the client's account at PFSL in order to generate the monies to make this investment.

33. By engaging in the conduct described above, the Respondent engaged in personal financial dealings with clients BF, EF and LA, which gave rise to a conflict or potential conflict of interest between the Respondent and the clients that the Respondent failed to address by the exercise of reasonable business judgment influenced only by the best interests of the clients, contrary to MFDA Rules 2.1.4 and 2.1.1. In addition, the Respondent failed to abide by the Member's policies and procedures which prohibited him from borrowing monies from clients.

Allegation #2: Outside Business Activities

34. The Respondent did not disclose his involvement with the car wash or wholesale food delivery businesses described above to PFSL and PFSL did not approve of these activities, as required by PFSL's policies and procedures regarding dual occupations.

35. By engaging in this conduct, the Respondent had and continued in at least two other gainful occupations which were not disclosed to and approved by the Member, contrary to MFDA Rules 1.2.1(c) (formerly MFDA Rule 1.2.1(d)) and 2.1.1.

Allegation #3: Misleading the MFDA and the Member

36. In February 2013, PFSL received a complaint from clients MT and CY alleging that the Respondent had approached them in December 2012 about investing or loaning monies to a car wash business. Clients MT and CY are spouses. Clients MT and Cy did not invest in the car wash business or loan monies to the Respondent.

37. After receiving the complaint from the clients MT and CY, PFSL commenced an investigation into the Respondent's conduct.

38. On February 11, 2013, PFSL sent a letter to the Respondent requesting that he, among other things:

a) provide the names of other clients that the Respondent had solicited, whether successful or not, to invest in the car wash business; and
b) indicate whether he was, or had been, associated with any other outside business activities that he had not disclosed to PFSL.

39. On February 15, 2013, the Respondent replied to PFSL's letter and stated that:

a) he had only approached client MT, his family members and another individual, MB, about investing in the car wash business, which was untrue and misleading as he had solicited a loan from clients BF and EF for the car wash business;
b) he was not involved in any outside business activities (other than the car wash business), which was untrue and misleading as he was involved in a wholesale food delivery business, and had recommended and facilitated an investment by client LA into this business.

40. On May 22, 2013, PFSL contacted the Respondent and asked him to identify all investors in the car wash business. On May 27, 2013, the Respondent responded to this inquiry by email and failed to disclose that he had entered in the Loan Agreement with clients BF and EF to

provide funding for the car wash business. The Respondent's statement to PFSL was untrue and misleading.

41. After PFSL reported the Respondent's activities to the MFDA, MFDA Staff commenced an investigation into the Respondent's conduct.

42. On December 11, 2013, the Respondent sent an email to MFDA Staff, in response to inquiries made during the MFDA's investigation, in which he acknowledged that he solicited a loan from clients BF and EF. On December 11, 2013, MFDA Staff asked the Respondent whether he had borrowed monies or solicited investments from any other clients. On December 18, 2013, the Respondent responded to MFDA Staff's inquiry but failed to disclose that he had solicited an investment from client LA for his wholesale food delivery business.

43. By virtue of the foregoing, the Respondent misled the MFDA and the Member during investigations into his personal financial dealings with clients, thereby failing to cooperate with Staff's investigation, interfering with the Member's ability to conduct a reasonable supervisory investigation of the Respondent's activities and failing to observe high standards of ethics and conduct in the transaction of business, contrary to section 22.1 of MFDA By-law No. 1 and MFDA Rule 2.1.1.

D. Penalty

44. MFDA Staff submits that the appropriate penalty is:

a) permanent prohibition;
b) a $150,000.00 fine; and
c) costs.

45. The Respondent, as indicated above, has admitted to all three of the allegations.

Allegation #1 – Personal Financial Dealings

46. The Respondent borrowed the principal sum of $79,999.00 from three clients. The Respondent failed to repay the clients any interest and failed to repay $66,749.00 of the principal sum.

47. The penalty should at a minimum equal the client loss of $66,749.00 and should include a penalty component for violating the MFDA Member Policies and Procedures. It is not enough for the fine only to include the loss to the clients for that then could be thought to be the price of doing business. There must also be an appropriate penalty for the breach of the rules. We agree that a penalty of an $80,000.00 fine is appropriate for the aspect that is the loss component.

Allegation #2 – Outside Business Activities

48. The Respondent admits to two undisclosed outside business activities.

49. The MFDA Penalty Guideline recommends a minimum penalty of $10,000.00 for Outside Business Activities (MFDA Rule 1.2.1) and $5,000.00 for breach of standard of conduct (2.1.1).

50. We agree that the penalty of a $15,000.00 fine is appropriate for this misconduct.

Allegation #3 – Misleading the Member and Failing to Cooperate

51. The Respondent admits to misleading the Member and MFDA during the course of the investigation contrary to section 22.1 of MFDA By-law No. 1 and MFDA Rule 2.1.1.

52. The MFDA Penalty Guideline recommends a minimum penalty of $50,000.00 for failure to cooperate (section 22.1 of MFDA By-law No. 1) and $5,000.00 for breach of standard of conduct (2.1.1).

53. We agree that the penalty of a $55,000.00 fine is appropriate for this misconduct.

54. We have considered the high standard of ethics in this profession. We refer to MFDA Rule 2.1.1, which prescribes the standard of conduct applicable to registrants in the mutual fund industry. The rule requires that each Member and Approved Person: deal fairly, honestly, and in good faith with clients; observe high standards of ethics and conduct in the transaction of business; and refrain from engaging in any business conduct or practice which is unbecoming or detrimental to the public interest.

> Excerpts of the MFDA Rules, Policies and By-law No. 1, MFDA Staff's Book of Authorities, Tab 1

55. We have also considered the following specific factors concerning the appropriateness of the penalty:

a) the seriousness of the allegations proved against the Respondent;
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 to those who are permitted to participate in the capital markets; and
k) previous decisions made in similar circumstances.

> *Headley (Re)*, 2006 MFDA 3, at page 25-26, MFDA Staff's Book of Authorities, Tab 7.
>
> *Breckenridge (Re)*, supra, at para. 77 and the decisions cited therein, Staff's Book of Authorities, Tab 2.

56. We are of the opinion that Respondent's conduct shows a disregard for the MFDA and Member Rules and Procedures and the client harm has been set out and, of course, the Respondent has received the benefit of the funds. Deterrents to the Respondent and others is necessary.

57. We have noted the comments made in *Graveline (Re)*, MFDA File No. 200606, where the panel wrote in part:

> MFDA hearing panels have consistently imposed permanent prohibitions on individuals who misappropriate client funds. Further, they have upheld the principle that the fines in such cases should be, at a minimum, approximately equal to the amount misappropriated by the Approved Person that has not been repaid by the time of the hearing. With respect to the failure of the Respondent to comply with a request by the MFDA investigator made pursuant to section 22.1 of the By-law, in previous cases where a respondent has failed to cooperate in a material manner, the MFDA panels have imposed a permanent prohibition and a fine of $50,000.00.

58. We have been cited and considered various cases in this matter. In *Bangyay (Re)*, [2013], Hearing Panel of the Central Regional Council MFDA File No. 201238, a decision dated July 22, 2013, a permanent prohibition was ordered, a fine of $250,000.00 and costs of $10,000.00 was appropriate in somewhat similar circumstances.

59. We were also referred to *Popen (Re)*, [2012], Hearing Panel of the Central Regional Council, MFDA File No. 201136, a decision dated September 24, 2012, where again there was a permanent prohibition, contraventions of similar allegations amounting to fines of $25,000.00, $185,000.00 and $50,000.00 together with costs of $7,500.00.

60. Also of note, are the cases *Dhindsa (Re)*, [2012], MFDA File No. 201119, Hearing Panel of the Pacific Regional Council, a decision dated May 15, 2015; *Visanji (Re)*, [2014], Hearing Panel of the Central Regional Council, MFDA File No. 201405, a decision dated November 28, 2014; and *Zhang (Re)*, [2013], Hearing Panel of the Central Regional Council, MFDA File No. 201309, a decision dated October 30, 2013.

61. In *Visanji (Re)*, it again was an agreed statement of facts and the misappropriation was quite large. It was $445,426.50 from at least 12 individuals, 8 of whom were clients or former clients of the Member. He engaged in personal financial dealings with two clients by borrowing a total of $22,000.00 from them which he failed to repay and was engaged in another gainful occupation. That then resulted in the permanent prohibition, a fine of $450,000.00 and costs.

62. With reference to costs in this matter, a Bill of Costs was presented to us that related only to the preparation of the hearing and that came to $5,000.00. The submission of course here is that the costs should range between $7,500.00 and $10,000.00.

E. Conclusion

63. In all of the circumstances, the Hearing Panel is unanimously of the view that the appropriate order in this case is:

a) permanent prohibition;
b) a fine of $150,000; and
c) costs of $10,000.

DATED this 21st day of July, 2016.

"Thomas R. Braidwood"

The Hon. Thomas R. Braidwood, Q.C.
Chair

"Elizabeth Chichka"

Elizabeth Chichka
Industry Representative

"David B. Webb"

David B. Webb
Industry Representative

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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: Hyun Chul Lee

AGREED STATEMENT OF FACTS

I. INTRODUCTION

1. By Notice of Hearing dated November 9, 2015, the Mutual Fund Dealers Association of Canada (the "MFDA") commenced a disciplinary proceeding against Hyun Chul Lee (the "Respondent") pursuant to ss. 20 and 24 of MFDA By-law No. 1.

2. The Notice of Hearing set out the following allegations:

Allegation #1: Between February 2012 and February 2013, the Respondent engaged in personal financial dealings with clients by, directly or indirectly:

a) borrowing $60,000 from the clients BF and EF, which he invested in a car wash business he owned and operated and then failed to repay in accordance with the terms of the loan

b) recommending and facilitating an investment of $17,999 by client LA which the Respondent invested in a wholesale food delivery business he owned and operated and then failed to repay;

thereby placing his own interests ahead of the clients' interests and creating a conflict or potential conflict of interest which the Respondent failed to address by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to MFDA Rules 2.1.4 and 2.1.1.

Allegation #2: Between February 2012 and February 2013, the Respondent had and continued in other gainful occupations relating to a car wash and wholesale food delivery businesses he owned and operated, which were not disclosed to and approved by the Member, contrary to MFDA Rules 1.2.1(c) (formerly MFDA Rule 1.2.1(d)) and 2.1.1.

Allegation #3: Between February 15, 2013 and January 2, 2015, the Respondent misled the MFDA and the Member during investigations into his personal financial dealings with clients when he failed to disclose that he had borrowed monies from clients BF and EF, and recommended and facilitated an investment by client LA in a business he owned and operated, thereby failing to cooperate with Staff's investigation, interfering with the Member's ability to conduct a reasonable supervisory investigation of the Respondent's activities and failing to observe high standards of ethics and conduct in the transaction of business, contrary to section 22.1 of MFDA By-law No. 1 and MFDA Rule 2.1.1.

II. IN PUBLIC / IN CAMERA

3. The Respondent and Staff of the MFDA ("Staff") agree that this matter should be heard in public pursuant to Rule 1.8 of the MFDA Rules of Procedure.

III. ADMISSIONS AND ISSUES TO BE DETERMINED

4. The Respondent has reviewed this Agreed Statement of Facts and admits the facts set out in Part IV herein. The Respondent admits that the facts in Part IV constitute misconduct for

which the Respondent may be penalized on the exercise of the discretion of a Hearing Panel pursuant to s. 24.1 of MFDA By-law No. 1.

5. Staff and the Respondent jointly request that the Hearing Panel determine, on the basis of this Agreed Statement of Facts, the appropriate penalty to impose on the Respondent.

IV. AGREED FACTS

6. Staff and the Respondent agree that submissions made with respect to the appropriate penalty are based only on the agreed facts in Part IV and no other facts or documents. In the event the Hearing Panel advises one or both of Staff and the Respondent of any additional facts it considers necessary to determine the issues before it, Staff and the Respondent agree that such additional facts shall be provided to the Hearing Panel only with the consent of both Staff and the Respondent. If the Respondent is not present at the hearing, Staff may disclose additional relevant facts, at the request of the Hearing Panel.

7. Nothing in this Part IV is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against him.

Registration History

8. From June 11, 2003 to February 11, 2013, the Respondent was registered in British Columbia as a mutual fund salesperson (now known as a dealing representative) with PFSL Investments Canada Ltd. ("PFSL"), a Member of the MFDA.

9. PFSL terminated the Respondent on February 11, 2013 as a result of the events described herein.

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

11. At all material times, the Respondent conducted business in Surrey and Lac La Hache, British Columbia.

PFSL's Policies and Procedures

12. At all material times, PFSL's policies and procedures prohibited its Approved Persons, including the Respondent, from:

a) borrowing monies from clients; and
b) engaging in dual occupations unless they have been disclosed to and approval by PFSL.

Allegation #1: Personal Financial Dealings

Clients BF and EF

13. From about April 26, 2008 to February 11, 2013, the Respondent was the mutual fund salesperson assigned to service the accounts clients BF and EF at PFSL.

14. In about February 2012, the Respondent approached clients BF and EF and requested that the clients loan monies to him, so that he could purchase a car wash business in Williams Lake, British Columbia which operated as "DG's Carwash".

15. On March 7, 2012, the Respondent and clients BF and EF entered into a written loan agreement whereby the Respondent would borrow $60,000 from the clients (the "Loan Agreement"). The Loan Agreement named the Respondent and an unincorporated entity through the Respondent purported to conduct business, "K.I.B.C. Services Ltd.", as borrowers.

16. The Loan Agreement included, among other things, the following terms:

(a) clients BF and EF would loan the Respondent the principal sum of $60,000 for a term of 36 months;

(b) the Respondent would pay clients BF and EF interest at a rate of 6% per annum payable by December 31 each year commencing in 2012;

(c) clients BF and EF could extend the term of the Loan Agreement up to 24 months; and

(d) the existence and terms of the Loan Agreement shall be kept strictly confidential between the Respondent, clients BF and EF, and the parties' advisors or solicitors (if any).

17. On March 12, 2012, in furtherance of the Loan Agreement, the Respondent processed a redemption in clients BF and EF's account with PFSL in the amount of $60,256. The Respondent arranged for the proceeds of the redemption to be deposited into the bank account of clients BF and EF.

18. On March 20, 2012, clients BF and EF delivered a cheque to the Respondent payable to him personally in the amount of $60,000 in accordance with the Loan Agreement.

19. On or about April 11, 2012, the Respondent entered into a written partnership agreement with another individual for the purchase of DG's Carwash.

20. The Respondent subsequently failed to pay clients BF and EF the interest due under the Loan Agreement or repay the $60,000 principal sum of the loan.

21. On September 9, 2013, clients BF and EF submitted a complaint to PFSL with respect to the monies the Respondent had borrowed from them.

22. The Respondent did not disclose to PFSL that he had entered into the Loan Agreement with clients BF and EF, or that the clients had redeemed mutual funds from their account at PFSL in order to loan the monies to the Respondent.

23. On July 16, 2014, clients BF and EF commenced a civil action against the Respondent in British Columbia (Vancouver Registry Action No. VLC-S-S-145506) relating to the events described herein.

24. To date, the Respondent has failed to repay any amount of the loan to clients BF and EF.

Client LA

25. From April 2010 to July 2012, the Respondent was the mutual fund salesperson assigned to service the accounts of client LA at PFSL.

26. At all material times, client LA was an elderly client who was vulnerable by virtue of her age.

27. In about July 2012, the Respondent approached client LA and recommended that she redeem mutual funds she held with PFSL and invest the monies in an alternative investment which he represented would provide better returns than her mutual funds.

28. The Respondent did not provide client LA with full details regarding the proposed investment but advised client LA that it would generate a return of 4% per annum over a term of 4 to 5 years. The Respondent and client LA did not enter into a written agreement with respect to the investment.

29. On July 8, 2012 the Respondent incorporated a company in British Columbia known as "CKIB Services Ltd." ("CKIB Services") through which he intended to operate a wholesale food delivery business. At all material times, the Respondent was the owner and operator of CKIB Services. The Respondent's wife is a director of the company.

30. On July 13, 2012, the Respondent processed a redemption in client LA's account with PFSL in the amount of $17,840.89 in order to generate the monies for the investment in CKIB

Services. The Respondent arranged for the redemption proceeds to be deposited into client LA's bank account.

31. On July 19, 2012, client LA delivered a cheque to the Respondent payable to "CKIB Services" in the amount of $17,999.

32. The Respondent purportedly invested the monies provided by client LA into CKIB Services.

33. Between January 2013 and May 13, 2014, the Respondent made payments to client LA totaling $11,250. Despite repeated requests made by client LA for the repayment of the monies she provided to the Respondent, the Respondent has not repaid any further monies to client LA in respect of her investment.

34. On September 29, 2014, client LA submitted a complaint to PFSL with regards to the Respondent's activities.

35. The Respondent did not disclose to PFSL that he had recommended and facilitated an investment by client LA into CKIB Services, or that client LA had redeemed mutual funds in the client's account at PFSL in order to generate the monies to make this investment.

36. By engaging in the conduct described above, the Respondent engaged in personal financial dealings with clients BF, EF and LA, which gave rise to a conflict or potential conflict of interest between the Respondent and the clients that the Respondent failed to address by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to MFDA Rules 2.1.4 and 2.1.1. In addition, the Respondent failed to abide by the Member's policies and procedures which prohibited him from borrowing monies from clients.

Allegation #2: Outside Business Activities

37. The Respondent did not disclose his involvement with the car wash or wholesale food delivery businesses described above to PFSL and PFSL did not approve these activities, as required by PFSL's policies and procedures regarding dual occupations.

38. By engaging in this conduct, the Respondent had and continued in at least two other gainful occupations which were not disclosed to and approved by the Member, contrary to MFDA Rules 1.2.1(c) (formerly MFDA Rule 1.2.1(d)) and 2.1.1.

Allegation #3: Misleading the MFDA and the Member

39. In February 2013, PFSL received a complaint from clients MT and CY alleging that the Respondent had approached them in December 2012 about investing or loaning monies to a car wash business. Clients MT and CY are spouses. Clients MT and CY did not invest in the car wash business or loan monies to the Respondent.

40. After receiving the complaint from clients MT and CY, PFSL commenced an investigation into the Respondent's conduct.

41. On February 11, 2013, PFSL sent a letter to the Respondent requesting that he, among other things:

a) provide the names of other clients that the Respondent had solicited, whether successful or not, to invest in the car wash business; and
b) indicate whether he was, or had been, associated with any other outside business activities that he had not disclosed to PFSL.

42. On February 15, 2013, the Respondent replied to PFSL's letter and stated that:

(a) he had only approached client MT, his family members and another individual, MB, about investing in the car wash business, which was untrue and misleading as he had solicited a loan from clients BF and EF for the car wash business;

(b) he was not involved in any outside business activities (other than the car wash business), which was untrue and misleading as he was involved in a wholesale food delivery business, and had recommended and facilitated an investment by client LA into this business.

43. On May 22, 2013, PFSL contacted the Respondent and asked him to identify all investors in the car wash business. On May 27, 2013, the Respondent responded to this inquiry by email and failed to disclose that he had entered into the Loan Agreement with clients BF and EF to provide funding for the car wash business. The Respondent's statement to PFSL was untrue and misleading.

44. After PFSL reported the Respondent's activities to the MFDA, MFDA Staff commenced an investigation into the Respondent's conduct.

45. On December 11, 2013, the Respondent sent an e-mail to MFDA Staff, in response to inquiries made during the MFDA's investigation, in which he acknowledged that he solicited a loan from clients BF and EF. On December 11, 2013 MFDA Staff asked the Respondent whether he had borrowed monies or solicited investments from any other clients. On December 18, 2013, the Respondent responded to MFDA Staff's inquiry but failed to disclose that he had solicited an investment from client LA for his wholesale food delivery business.

46. By virtue of the foregoing, the Respondent misled the MFDA and the Member during investigations into his personal financial dealings with clients, thereby failing to cooperate with Staff's investigation, interfering with the Member's ability to conduct a reasonable supervisory investigation of the Respondent's activities and failing to observe high standards of ethics and conduct in the transaction of business, contrary to section 22.1 of MFDA By-law No. 1 and MFDA Rule 2.1.1.

Misconduct Admitted

47. By engaging in the conduct described above, the Respondent admits that he did:

a) between February 2012 and February 2013, engaged in personal financial dealings with clients by, directly or indirectly:

(i) borrowing $60,000 from the clients BF and EF, which he invested in a car wash business he owned and operated and then failed to repay in accordance with the terms of the loan;

(ii) recommending and facilitating an investment of $17,999 by client LA which the Respondent invested in a wholesale food delivery business he owned and operated and then failed to repay

thereby placing his own interests ahead of the clients' interests and creating a conflict or potential conflict of interest which the Respondent failed to address by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to MFDA Rules 2.1.4 and 2.1.1;

b) between February 2012 and February 2013, the Respondent had and continued in other gainful occupations relating to a car wash and wholesale food delivery businesses he owned and operated, which were not disclosed to and approved by the Member, contrary to MFDA Rules 1.2.1(c) (formerly MFDA Rule 1.2.1(d)) and 2.1.1; and

c) between February 15, 2013 and January 2, 2015, the Respondent misled the MFDA and the Member during investigations into his personal financial dealings with clients when he failed to disclose that he had borrowed monies from clients BF and EF, and recommended and facilitated an investment by client LA in a business he owned and

operated, thereby failing to cooperate with Staff's investigation, interfering with the Member's ability to conduct a reasonable supervisory investigation of the Respondent's activities and failing to observe high standards of ethics and conduct in the transaction of business, contrary to section 22.1 of MFDA By-law No. 1 and MFDA Rule 2.1.1.

V. EXECUTION OF AGREED STATEMENT OF FACTS

48. This Agreed Statement of Facts may be signed in one or more counterparts which together shall constitute a binding agreement.

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

DATED this 5th January 2016.

"Hyun Chul Lee"

Hyun Chul Lee

"Shaun Devlin"

Staff of the MFDA
Per: Shaun Devlin
Senior Vice-President, Member Regulation - Enforcement