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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**

**Sungsoo (Steve) Lee**

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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 (now Mutual Fund Dealer Rule 7.4.4), a hearing panel (the “Hearing Panel”) should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the Corporation (“Staff”) and Sungsoo (Steve) Lee (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) commencing in October 2020, the Respondent failed to cooperate with an investigation into his conduct by MFDA Staff, contrary to section 22.1 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 6.2.1).

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

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

- a) the Respondent shall be permanently prohibited from conducting securities related business while in the employ of or in association with any Dealer Member that is registered as a mutual fund dealer, pursuant to section 24.1.1(e) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(e));
- b) the Respondent shall pay fine in the amount of \$35,000, 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, pursuant to section 24.2 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.2);
- d) the fine and costs shall be payable in instalments as follows:
  - i) \$10,000 (fine) and \$5,000 (costs) payable in certified funds upon acceptance of the Settlement Agreement; and
  - ii) \$25,000 (fine) payable on or before September 20, 2023; and
- e) the Respondent will attend in person 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 on or about December 2, 2002 to December 5, 2018, the Respondent was registered in British Columbia as a dealing representative with BMO Investments Inc. (the "Member"), a Member of the MFDA (now a Dealer Member of the Corporation).

8. On September 4, 2007, the Respondent executed an Agreement of Approved Person, pursuant to which he agreed:

- a) to be bound by, observe, and comply with the MFDA's By-laws, Rules, and Policies; and
- b) that he is conversant with the MFDA's By-laws, Rules, and Policies, and would keep himself fully informed about the MFDA's By-laws, Rules, and Policies as they are amended or supplemented from time to time.

9. On December 5, 2018, the Member terminated the Respondent's registration, and the Respondent is no longer registered in the securities industry in any capacity.

10. At all material times, the Respondent carried on business in the Burnaby, British Columbia area.

### **Failure to Cooperate**

11. In January 2019, the Member reported allegations to the MFDA concerning the Respondent and other Approved Persons registered with the Member. After receiving the information, Staff commenced an investigation into the conduct of the Respondent and other Approved Persons in order to determine, among other things, the following:

- a) whether the Respondent had instructed other Approved Persons to open client accounts, complete Know-Your-Client ("KYC") information for clients, and process transactions in the accounts of clients, without those Approved Persons obtaining instructions directly from those clients in order to confirm the accuracy of the information (including KYC information) received, confirm the elements of the transactions, and ensure that the transactions were suitable and authorized by the clients;
- b) whether the Respondent provided pre-signed forms to the other Approved Persons for them to complete and use to process transactions; and
- c) whether arrangements and business dealings between the Respondent and the other Approved Persons complied with regulatory requirements and the policies and procedures of the Member.

12. Between July 2020 and August 2020, Staff corresponded with the Respondent concerning attending an interview to answer questions relevant to the subject-matter of Staff's investigation.

13. On August 17, 2020, the Respondent emailed Staff stating, "I will try to make myself available for an interview either on 27th or 28th Oct for now". On August 20, 2020, Staff advised the Respondent that his interview had been scheduled to take place on October 28, 2020 by videoconference.

14. In September 2020, Staff was contacted by counsel for the Respondent, who confirmed that both he and the Respondent were available on October 28, 2020. Counsel for the Respondent also wrote to Staff asking various questions about the purpose and scope of Staff's interview, and advised that the Respondent's first language was not English so it would be easier for him to deal in his first language should he be required to attend an interview.

15. On October 5, 2020, Staff sent a letter to counsel for the Respondent responding to his queries noted above and requesting that he confirm his availability to attend a videoconference interview on October 28, 2020. Staff also stated that it was willing to retain a language interpreter for the interview.

16. On October 16, 2020, counsel for the Respondent informed Staff that he did not have instructions with regard to the Respondent's attendance at an interview.

17. On October 26, 2020, Staff reminded counsel for the Respondent that the Respondent's videoconference interview was scheduled to take place on October 28, 2020. Staff also informed counsel for the Respondent that it had retained a language interpreter for the interview. Staff requested that counsel for the Respondent confirm by the end of the day that he and the Respondent would attend the interview.

18. On October 26, 2020, counsel for the Respondent sent a letter to Staff stating that the Respondent would not be attending the interview on October 28, 2020, but was prepared to continue to cooperate in writing. Counsel for the Respondent further stated that the Respondent was unable to attend an interview for medical reasons.

19. On November 2, 2020, Staff requested that counsel for the Respondent provide a doctor's note detailing why the Respondent was unable to attend an interview.

20. On November 10, 2020, counsel for the Respondent emailed Staff attaching a medical note from the Respondent's doctor. In the covering email, counsel for the Respondent stated that the Respondent's "specific medical condition is private information that he is not obliged to disclose." The attached doctor's note dated October 26, 2020 stated:

[The Respondent] has been, or will be, off work for medical reasons between the following dates: 26-30 Oct 2020

21. On November 13, 2020, Staff sent a letter to counsel for the Respondent stating that the doctor's note that had been provided was insufficient in outlining the reasons why the Respondent could not attend an interview. Staff further explained that the interview would be conducted by videoconference, with a language interpreter present, and that Staff was willing to consider any additional accommodations requested in writing. Staff requested that counsel or the Respondent confirm the Respondent's attendance at an interview on November 19, 25, or 26, 2020, or provide a more detailed medical note outlining the Respondent's condition and why it precludes him from attending an interview.

22. In November and December 2020, counsel for the Respondent again reiterated the position that Staff was not entitled to know the details of the Respondent's medical condition, but that the Respondent would answer questions in writing. On December 24, 2020, counsel for the Respondent provided two additional medical notes to Staff, which, similar to the note described above, failed to: (i) identify the Respondent's medical condition; (ii) specify a date when the Respondent was expected to be able to attend an interview with Staff; or (iii) provide an explanation as to why the Respondent could not attend such an interview. Staff repeatedly requested that the Respondent provide information and documentation to address the shortcomings of the medical notes, but the Respondent did not do so.

23. On multiple occasions in November 2021, December 2021, and February 2022, Staff wrote to counsel for the Respondent offering to accommodate the Respondent's medical condition and informing the Respondent that Staff was willing to consider any accommodations which the Respondent felt would be necessary to facilitate the Respondent's participation in an interview with Staff. The Respondent did not identify any accommodations which would facilitate his participation in an interview, other than the need for a language interpreter which Staff had said it would provide.

24. The Respondent failed to attend an interview with Staff to answer questions concerning the matters under investigation that was scheduled to take place on October 28, 2020. The Respondent refused to reschedule the interview and failed to provide an explanation of any medical condition that the Respondent believed precluded his participation in an interview with Staff.

25. As a result of the Respondent's failure to cooperate with Staff's investigation, Staff has been unable to determine the full nature and extent of the conduct under investigation including both the conduct of the Respondent and the conduct of other Approved Persons with whom he had dealings that may not have been compliant with regulatory requirements.

### **Additional Factors**

26. The Respondent acknowledges that offering to answer Staff's questions in writing, as described above at paragraphs 18 and 22, did not constitute cooperation when Staff had asked the Respondent to attend an interview to answer questions concerning the matters under investigation.

27. The Respondent states that he received and relied on legal advice from former counsel that did not accurately explain his obligation to cooperate with Staff's investigation and the potential consequences of not attending an interview. The Respondent has provided evidence to Staff including emails from his former counsel to corroborate his claim that he received legal advice concerning his obligation to cooperate with Staff's investigation. The Respondent acknowledges that notwithstanding the legal advice that he received, it was his obligation to know of and understand his regulatory obligations, including his duty to cooperate with Staff's investigation.

28. Following the events described above, the Respondent provided evidence substantiating the claim that he suffers from an ongoing chronic medical condition. The Respondent acknowledges, however, that his medical condition did not preclude him from attending an interview with Staff by videoconference to answer questions relevant to the matters under investigation.

29. In addition, the Respondent acknowledges that by failing to provide Staff with sufficient particulars and evidence of his medical condition in response to the requests from Staff to schedule and attend an interview, the Respondent prevented Staff from considering how serious the medical condition is, understanding any constraints or limitations that could arise from the medical condition, or offering any accommodations that might be appropriate to facilitate his participation.

30. The Respondent is 68 years old and retired. As noted above, the Respondent suffers from a chronic medical condition for which he receives some ongoing medical care.

31. The Respondent states that he has exhausted his RRSP savings, he has minimal cash in his bank account and he supports himself with government pension income and modest rental income. The Respondent has provided evidence to Staff which supports his statements about his financial circumstances. The Respondent further states that he is in the process of selling his rental property to pay the fine that he has agreed to pay pursuant to the terms of this Settlement Agreement.

32. The Respondent has not previously been subject to a MFDA disciplinary proceeding.

33. By entering into this Settlement Agreement, the Respondent has accepted responsibility for his misconduct and saved the MFDA the time, resources, and expenses that would have otherwise been necessary to conduct a contested hearing of the allegations.

## **V. ADDITIONAL TERMS OF SETTLEMENT**

34. 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.

35. 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).

- a) 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 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 s. 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 s. 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.

36. 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

37. 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.

38. 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.

39. 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.

40. 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 17<sup>th</sup> day of March, 2023.

“Sungsoo (Steve) Lee”

\_\_\_\_\_  
Sungsoo (Steve) Lee

“SL”

\_\_\_\_\_  
Witness – Signature

SL

\_\_\_\_\_  
Witness – Print name

“Shelly Feld”

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

Per: Shelly Feld

New Self-Regulatory Organization of Canada

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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 Mutual Fund Dealer Rule 1A, 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>1</sup>**

**and**

**Sungsoo (Steve) Lee**

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**ORDER**

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**WHEREAS** on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") provided notice to the public of a Settlement Hearing in respect of Sungsoo (Steve) Lee (the "Respondent");

**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 ss. 20 and 24.1 of MFDA By-law No. 1 (now Mutual Fund Dealer Rules 7.3 and 7.4.1);

**AND WHEREAS** based upon the admissions of the Respondent, the Hearing Panel is of the opinion that the Respondent commencing October 2020, failed to cooperate with an investigation into his conduct by MFDA Staff, contrary to section 22.1 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 6.2.1);

**IT IS HEREBY ORDERED THAT** the ten day notice period required according to Rule 15.2 of the MFDA Rules of Procedure is abridged pursuant to the discretion of the Hearing Panel

exercised in accordance with Rules 1.3, 1.5 and 2.2(1)(a) of the MFDA Rules of Procedure and the Settlement Agreement is accepted, as a consequence of which:

1. The Respondent is permanently prohibited from conducting securities related business while in the employ of or in associate with a Member of the MFDA, pursuant to section 24.1.1(e) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(e)).
2. The Respondent shall pay a fine in the amount of \$35,000, 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, pursuant to section 24.2 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.2).
4. The Respondent shall pay the fine and costs in instalments as follows:
  - a) \$10,000 (fine) and \$5,000 (costs) payable in certified funds on the date of this Order;  
and
  - b) \$25,000 (fine) payable on or before September 23, 2023.
5. 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], 20[ ].

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Name,  
Chair

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Name,  
Industry Representative

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Name,  
Industry Representative

DM 903482

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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.