



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

IN THE MATTER OF
THE MUTUAL FUND DEALER RULESⁱ
and
Zinan Liu

ORDER

(ARISING FROM THE HEARING ON THE MERITS ON JANUARY 23, 2023)

WHEREAS on December 22, 2021, the Mutual Fund Dealers Association of Canada (the “MFDA”) issued a Notice of Hearing pursuant to sections 20 and 24 of MFDA By-law No. 1 (now Mutual Fund Rules 7.3 and 7.4) in respect of a disciplinary proceeding commenced against Zinan Liu (the “Respondent”).

AND WHEREAS appearances were held by videoconference before a Hearing Panel of the Pacific Regional Council of the MFDA in this matter on March 2, 2022, April 26, 2022, June 21, 2022, November 3, 2022, and December 9, 2022;

AND WHEREAS the Respondent and Staff of the MFDA entered into an agreed statement of facts dated December 8, 2022 (the “Agreed Statement of Facts”), in which the Respondent admitted to facts that constitute misconduct in respect of which a Hearing Panel could impose penalties pursuant to section 24.1.1 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1);

AND WHEREAS on January 1, 2023, the MFDA and the Investment Industry Regulatory Organization of Canada (“IIROC”) were consolidated into a single regulator called the New Self-Regulatory Organization of Canada (the “Corporation”);

AND WHEREAS on January 23, 2023, the hearing of this matter on its merits was held electronically by videoconference before a Hearing Panel of the Pacific District Committee of the Corporation (the “Hearing Panel”);

AND WHEREAS based upon the admissions of the Respondent in the Agreed Statement of Facts and upon hearing the submissions of counsel for the Respondent and counsel for Staff of the Corporation, the Hearing Panel is of the opinion that:

1. Between May 2018 and February 2020, engaged in personal financial dealings with clients by:
 - a) borrowing \$105,000 from a client; and
 - b) entering into a business arrangement with clients;

which gave rise to conflicts or potential conflicts of interest that she failed to disclose to the Member or otherwise address by the exercise of responsible business judgment influenced only by the best interests of the client, contrary to MFDA Rules 2.1.4¹ and 2.1.1 (now Mutual Fund Dealer Rules 2.1.4(2) and 2.1.1);

2. Between May 2018 and February 2020, engaged in unapproved outside activities, contrary to the Member’s policies and procedures and MFDA Rules 1.3, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1)(now Mutual Fund Dealer Rules 1.3, 2.1.1, 1.1.2 and 2.5.1); and

3. Between May 2018 and February 2020, completed an annual compliance questionnaire which stated that the Respondent had disclosed her outside business activities to the Member when she had not disclosed her outside activities to the Member, contrary to MFDA Rule 2.1.1 (now Mutual Fund Dealer Rule 2.1.1);

IT IS HEREBY ORDERED THAT:

1. The Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any Dealer Member of the Corporation that is registered as a mutual fund dealer for a period of two years, pursuant to section 24.1.1(e) [now Mutual Fund Dealer Rule 7.4.1.1(e)];

¹On June 30, 2021, amendments to MFDA Rule 2.1.4 came into effect. As the conduct addressed in this proceeding pre-dated the amendments to that Rule which were incorporated into Mutual Fund Dealer Rule 2.1.4(2), the version of MFDA Rule 2.1.4 that was in effect between February 27, 2006 and June 30, 2021 is applicable to this proceeding.

2. The Respondent shall pay a fine of \$15,000, 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]; and
4. If at any time a non-party to this proceeding, with the exception of the bodies set out in Mutual Fund Dealer Rule 6.3 (formerly section 23 of MFDA By-Law No. 1), requests production of or access to exhibits in this proceeding that contain personal information as defined by the MFDA Privacy Policy, then the Corporate Secretary's Office, Mutual Fund Dealer Division of the Corporation, shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all personal information, pursuant to Rules 1.8(2) and (5) of the *MFDA Rules of Procedure*.

DATED this 23rd day of January, 2023.

“Joseph A. Bernardo”

Joseph A. Bernardo
Chair

“Barbara Fraser”

Barbara Fraser
Industry Representative

“Guenther W. K. Kleberg”

Guenther W. K. Kleberg
Industry Representative

DM 902144

ⁱ 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 recognized under applicable securities legislation. The New Self-Regulatory Organization of Canada (referred to herein as 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. Where the rules of IIROC and the by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation have been incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules. Pursuant to Mutual Fund Dealer Rule 1A, MFDA By-law No. 1 continues to be applicable to this proceeding and 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.