



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: Geng (Marshal) Liu

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

Decision: June 16, 2022

Reasons for Decision: July 19, 2022

REASONS FOR DECISION

Hearing Panel of the Pacific Regional Council:

Susan E. Ross

Elizabeth Chichka

Tammi Walsh

Chair

Industry Representative

Industry Representative

Appearances:

Zaid Sayeed

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Enforcement Counsel for the Mutual Fund

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Dealers Association of Canada

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Geng (Marshal) Liu

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Respondent

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1. At the conclusion of an electronic hearing, the Hearing Panel accepted a settlement agreement dated April 13, 2022 (the “Settlement Agreement”), between staff of the Mutual Fund Dealers Association of Canada (the “MFDA”) and registered dealing representative Geng (Marshal) Liu (the “Respondent”). Under the Settlement Agreement, the Respondent agreed to pay a \$20,000 fine and costs of \$5,000 in respect of the following admitted contraventions:

- a) Between October 2017 and April 2019, the Respondent obtained and possessed 14 pre-signed account forms in respect of 8 clients, contrary to MFDA Rule 2.1.1; and
- b) Between October 2017 and November 2019, the Respondent altered and used to process 27 account forms in respect of 20 clients by altering information on the account forms without having the client initial the alterations, contrary to MFDA Rule 2.1.1.

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

3. The Respondent has been registered in the securities industry since 2011 and has been a dealing representative with Queen Financial Group Inc. (the “Member”) in Richmond, British Columbia, since 2017.

4. An MFDA compliance examination and investigation identified pre-signed and altered accounts forms for some of the Respondent’s clients. The Respondent did not receive any financial benefits beyond ordinary fees and commissions he would have been entitled to if the transactions involved had been carried out in the proper manner. There were no client losses, complaints, or lack of authorization for the transactions. The Respondent has no prior disciplinary record.

5. The Member issued a disciplinary letter respecting the Respondent’s misconduct, placed him on heightened supervision for six months, and required him to take an industry course. The Respondent cooperated fully with the MFDA investigation, has admitted the contraventions, and expressed remorse for his misconduct in the settlement hearing.

6. 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.

7. 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

8. It is well-established that obtaining or using pre-signed account forms (forms that were incomplete when they were signed) or altering information on account forms without having the client initial the alterations are contraventions of the standards of conduct in MFDA Rule 2.1.1. These practices adversely affect the integrity and reliability of account documents, lead to destruction of the audit trail, negatively impact member complaint handling, and have the potential to enable unauthorized trading, fraud, and misappropriation. The MFDA has issued warnings against the use pre-signed and altered forms since 2007.

MFDA Notice #MSN-0066 dated October 31, 2007 (updated March 4, 2013, and January 26, 2017) and MFDA Bulletin #0661-E dated October 2, 2015

9. Enforcement Counsel referred to cases demonstrating a range of typical sanctions for contraventions involving pre-signed or altered forms and that such contraventions are a long-standing and persistent form of misconduct in the industry. Other Hearing Panels have expressed concern about whether the sanctions being imposed have been sufficient to combat this problem. They have also observed that the danger of low fines being tantamount to a licensing fee for registrants to engage in this misconduct as a matter of convenience is an acknowledged consideration in the MFDA Sanction Guidelines.

Gilchrist (Re), [2017] Hearing Panel of the Pacific Regional Council, MFDA File No. 2016100, Hearing Panel Decision dated May 29, 2017, at para. 16

Armstrong (Re), [2021] Hearing Panel of the Pacific Regional Council, MFDA File No. 202161, Hearing Panel Decision dated November 30, 2021, at para. 8

MFDA Sanction Guidelines dated November 5, 2018, at page 6

10. Enforcement Counsel noted that the proposed fine of \$20,000 is at the high end compared to other cases some, though not all, of which involved registrants whose member firms also charged them financial penalties for their misconduct.

11. Other relevant factors in this case are that the Respondent has accepted responsibility for his misconduct, has no prior disciplinary record, and has saved the MFDA the time, resources and expenses associated with a full disciplinary hearing. There is no evidence of client losses, complaints or lack of authorization, or extra fees or commissions to the Respondent from his misconduct. In addition to the proposed sanctions, a disciplinary letter has been put on his file, he underwent a period of heightened supervision, and took a remedial course.

12. The Hearing Panel concluded that the proposed sanctions are an appropriate reflection of the trend toward higher fines in this troublesome area of misconduct. Having regard to that and the factors of general and specific deterrence and protection of the integrity of the capital markets, we concluded that the settlement was within a reasonable range.

13. The Settlement Agreement was therefore accepted.

DATED this 19th day of July, 2022.

“Susan E. Ross”

Susan E. Ross
Chair

“Elizabeth Chichka”

Elizabeth Chichka
Industry Representative

“Tammi Walsh”

Tammi Walsh
Industry Representative



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**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: Geng (Marshal) Liu

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, Geng (Marshal) Liu.
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) Between October 2017 and April 2019, the Respondent obtained and possessed 14 pre-signed account forms in respect of 8 clients, contrary to MFDA Rule 2.1.1; and

- b) Between October 2017 and November 2019, the Respondent altered and used to process transactions 27 account forms in respect of 20 clients by altering information on the account forms without having the client initial the alterations, contrary to MFDA Rule 2.1.1.

III. TERMS OF SETTLEMENT

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

- a) The Respondent shall pay a fine in the amount of \$20,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
- b) The Respondent shall pay costs in the amount of \$5,000, pursuant to s. 24.2 of MFDA By-law No. 1;
- c) The payment by the Respondent of the fine and costs shall be made to and received by the MFDA in certified funds as follows:
 - i. \$5,000 (Fine) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - ii. \$5,000 (Costs) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - iii. \$7,500 (Fine) on or before the last business day of the first month following the date of the Settlement Agreement; and
 - iv. \$7,500 (Fine) on or before the last business day of the second month following the date of the Settlement Agreement;
- d) The Respondent shall in the future comply with MFDA Rule 2.1.1; and
- e) 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. Since July 2011, the Respondent has been registered in the securities industry.

8. Since September 22, 2017, the Respondent has been registered in British Columbia as a dealing representative with Queen Financial Group Inc. (the “Member”), a Member of the MFDA.

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

Pre-Signed Account Forms

10. At all material times, the Member’s policies and procedures prohibited the use of pre-signed forms.

11. Between October 2017 and April 2019, the Respondent obtained and possessed 14 pre-signed account forms in respect of 8 clients.

12. The pre-signed forms consisted of a New Account Application, Know Your Client (“KYC”), a Limited Authorization, a Dealer Change Request, KYC Update, Dual Occupation Disclosure, and Consent to Electronic Delivery of Documents Forms.

Altered Account Forms

13. At all material times, the Member’s policies and procedures prohibited the use of altered forms.

14. Between October 2017 and November 2019, the Respondent altered 27 account forms in respect of 20 clients by altering information on the account form without having the client initial the alterations.

15. The altered forms consisted of New Account Application, Switch/Systematic Instruction, KYC, Registered Educational Savings Program Educational Assistance Payment, Application for Investment Account, Financial Transaction, and Application for Tax-Free Savings Account Forms.

16. The alterations the Respondent made to the account forms included alterations to: the client’s employer, fund codes, dollar amounts, beneficiary designation, fund account numbers, and KYC information.

The Member's Investigation

17. During a 2019 Compliance Examination of the Member, Staff of the MFDA identified some of the account forms described above.

18. In or about May 2020, the Member commenced an investigation into the Respondent's conduct. As part of its investigation, the Member wrote the affected clients to determine if they had knowledge of and authorized the transactions. No clients reported any concerns to the Member.

19. On May 8, 2020, the Member issued a disciplinary letter to the Respondent in respect of the conduct described above and placed him on heightened supervision for a period of six months.

20. By June 6, 2020, in compliance with the conditions of his heightened supervision, the Respondent completed an industry course required by the Member.

Additional Factors

21. There is no evidence that the Respondent received any financial benefit from the conduct set out above beyond the commissions or fees he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.

22. There is no evidence of client loss, client complaints, or lack of authorization.

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

24. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expense associated with conducting a full hearing on the allegations.

V. ADDITIONAL TERMS OF SETTLEMENT

25. 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.

26. 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.

27. 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.

28. 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.

29. 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.

30. 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.

31. 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.

32. 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 13th day of April, 2022.

“Geng (Marshal) Liu”

Geng (Marshal) Liu

“TJ”

Witness – Signature

TJ

Witness – Print name

“Charles Toth”

Staff of the MFDA

Per: Charles Toth

Vice-President, Enforcement



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Re: Geng (Marshal) Liu

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 Geng (Marshal) Liu (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:

- a) between October 2017 and April 2019, the Respondent obtained and possessed 14 pre-signed account forms in respect of 8 clients, contrary to MFDA Rule 2.1.1.; and
- b) between October 2017 and November 2019, the Respondent altered and used to process transactions 27 account forms in respect of 20 clients by altering information on the account forms without having the client initial the alterations, contrary to MFDA Rule 2.1.1.

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

1. The Respondent shall pay a fine in the amount of \$20,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
2. The Respondent shall pay costs in the amount of \$5,000, pursuant to s. 24.2 of MFDA By-law No. 1;
3. 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 (Fine) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - b) \$5,000 (Costs) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - c) \$7,500 (Fine) on or before [date]; and
 - d) \$7,500 (Fine) on or before [date];
4. The Respondent shall in the future comply with MFDA Rule 2.1.1; and
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]