



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: Jeong Heon (Abraham) Shin

Heard: July 20, 2022 by electronic hearing in Toronto, Ontario

Decision: July 20, 2022

Reasons for Decision: August 23, 2022

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

Frederick W. Chenoweth
Eugene E. Park
Craig Woolford

Chair
Industry Representative
Industry Representative

Appearances:

Alan Melamud)	Senior Enforcement Counsel for the Mutual
)	Fund Dealers Association of Canada
)	
John Rosen)	Counsel for Respondent
)	
Jeong Heon (Abraham) Shin)	Respondent
)	

I. BACKGROUND

1. By Notice of Settlement Hearing dated the 25th day of May, 2022 (“Notice of Settlement Hearing”) a Hearing Panel of the Central Regional Council of the Mutual Fund Dealers Association of Canada (the “MFDA”) was convened to consider whether, pursuant to s. 24.4 of By-law No. 1 of the MFDA, the Panel should accept the Settlement Agreement (the “Settlement Agreement”) entered into by the Staff of the MFDA (“Staff”) and the Respondent. At the outset of the proceedings, the Panel considered a joint motion by Staff and the Respondent to move the proceedings in camera. The Panel granted the motion. The Panel then considered the provisions of the Settlement Agreement aided by submissions as to the applicable law, which should guide the Panel in determining whether or not to accept or reject the Settlement Agreement. The Panel unanimously accepted the Settlement Agreement and issued an Order accordingly. These are the Panel’s reasons for doing so.

II. THE CONTRAVENTIONS

2. In the Settlement Agreement, the Respondent admits that:
- a) between March 2020 and August 2020, he misappropriated \$114,481 from two elderly clients, contrary to MFDA Rule 2.1.1;
 - b) between March 2020 and November 2020, he engaged in personal financial dealings with two clients by soliciting and accepting \$200,000 from the clients, which gave rise to a conflict or potential conflict of interest that he failed to disclose to the Member or otherwise address by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to the Member’s policies and procedures and MFDA Rules 2.1.4, 1.1.2, 2.5.1, and 2.1.1; and
 - c) on or around March 23, 2020, he processed a switch of \$330,081 in a client’s account without the client’s authorization, contrary to the Member’s policies and procedures and MFDA Rules 2.1.1, 1.1.2, and 2.5.1.

III. THE FACTS

3. In the Settlement Agreement, Staff and the Respondent agreed to the existence of a series of facts, which are set out in Part IV of the Settlement Agreement. The Settlement Agreement is attached as Appendix “A” to these Reasons.

4. As set out in the Settlement Agreement, the Respondent was registered in Ontario as a dealing representative commencing on March 14, 2003.

5. From November 1, 2003 to September 21, 2020, the Respondent was registered with Royal Mutual Funds Inc. (the “Member”), a member of the MFDA. At all material times, the Respondent was also an employee of the Royal Bank of Canada (the “Bank”), the bank affiliate of the Member. On September 21, 2020, the Respondent resigned from the Member and is no longer registered in the securities industry in any capacity.

IV. DISCUSSION

6. The Panel was aware that prior to accepting a Settlement Agreement, a Hearing Panel must be satisfied that:

- a) The facts admitted by the Respondent constitute misconduct in contravention of the By-laws, MFDA Rules or policies, or provincial securities legislation; and
- b) The penalties contemplated in the Settlement Agreement fall within a reasonable range of appropriateness, bearing in mind the nature and extent of the misconduct and all the circumstances.

7. The Panel was aware that settlements play an important and necessary role in facilitating the MFDA’s principal goal of protecting the investing public. An administrative tribunal cannot adjudicate every matter that comes before it. Settlements provide an efficient and effective way for the MFDA to proscribe conduct that is harmful to the public, while providing a flexible remedy that can be tailored to address the interests of Staff and respondents.

British Columbia (Securities Commission) v. Seifert, [2006] B.C.J. No. 225 at paras. 48-49 (S.C.), aff’d, [2007] B.C.J. No. 2186 at para. 31 (C.A).

8. The Panel was further aware that, it is generally accepted that hearing panels will not lightly interfere in a settlement agreement reached between Staff and a respondent. Section 24.4.3 of

MFDA By-Law No. 1 provides that hearing panels may only accept or reject a settlement in its entirety. A hearing panel's role is therefore not to determine *the correct* sanction, but instead to ascertain whether the sanction agreed to between Staff and a Respondent falls within a reasonable range of appropriateness:

In a contested Hearing, the Hearing Panel attempts to determine the correct penalty. In a Settlement Hearing, the Hearing Panel takes into account the settlement process itself and the fact that the parties have agreed to the penalties set out in the Settlement Agreement. **In our view, a Hearing Panel should not interfere lightly in a negotiated settlement and should not reject a Settlement Agreement unless it views the penalty as clearly falling outside a reasonable range of appropriateness.** As has been said: "The settlement process is one of negotiation and compromise and the penalty imposed following a settlement will often be less onerous than one imposed following a Hearing where similar findings are made.

MFDA By-law No. 1.

Professional Investments (Kingston) Inc. (Re), 2009 LNCMFDA 9 at para. 13.
[Emphasis added.]

Ho (Re), 2018 LNCMFDA 21 at paras. 24-26.

9. When determining whether it would be appropriate to accept a proposed settlement, MFDA, hearing panels have taken into account the following considerations:

- a) whether acceptance of the settlement agreement would be in the public interest and whether the sanction imposed will protect investors;
- b) whether the settlement agreement is reasonable and proportionate, having regard to the conduct of the respondent as set out in the settlement agreement;
- c) whether the settlement agreement addresses the issues of both specific and general deterrence;
- d) whether the proposed settlement will prevent the type of conduct described in the settlement agreement from occurring again in the future;
- e) whether the settlement agreement will foster confidence in the integrity of the Canadian capital markets;
- f) whether the settlement agreement will foster confidence in the integrity of the MFDA; and
- g) whether the settlement agreement will foster confidence in the regulatory process itself.

Sterling Mutuals Inc. (Re), 2016 LNCMFDA 77 at para. 13.

V. MISAPPROPRIATION

10. The Respondent admits that between March 2020 and August 2020, he misappropriated \$114,481 from two elderly clients of the Member, clients KL and CK. The Respondent used his position as an Approved Person and as an employee of the Bank affiliate of the Member, to redeem mutual funds from the clients' accounts and direct the proceeds to bank accounts in the clients' names that he was able to control using online banking. Both clients were vulnerable on account of their age, 74 years old and 90 years old, respectively. The Respondent misappropriated the monies to satisfy margin calls on his personal trading account and to pay other personal expenses. After this conduct came to light, the Respondent fully repaid the amounts misappropriated through the Bank. Hearing Panels have repeatedly found that the misappropriation or failure to account for client monies is a contravention of MFDA Rule 2.1.1.

11. MFDA Rule 2.1.1 codifies the standard of conduct, which requires that Members and Approved Persons 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. The Rule is central to the MFDA mandate of enhancing investor protection and strengthening public confidence in the Canadian mutual fund industry.

MFDA Rule 2.1.1.

Breckenridge (Re), 2007 LNCMFDA 38 para. 71.

12. The misappropriation of client funds is antithetical to the standard of conduct. It is an egregious form of misconduct, which involves a significant breach of trust, causes serious harm to the clients affected, and shakes public confidence in the Canadian mutual fund industry.

Ng (Re), 2016 LNCMFDA 81 at paras. 89, 106.

Palumbo (Re), 2020 LNCMFDA 16 at paras. 37-40.

Solis (Re), 2017 LNCMFDA 147 at para. 17.

Douglas (Re), 2018 LNCMFDA 216 at para. 24.

13. The Respondent therefore contravened MFDA Rule 2.1.1. The Respondent used his position as a mutual fund adviser to gain access to his clients' mutual fund accounts in order to misappropriate \$114,481.

Personal Financial Dealings

14. The Respondent admitted that between March 2020 and November 2020, he borrowed a total of \$200,000 from 2 clients of the Member, clients JK and WS, the latter of whom was the Respondent's sister. The Respondent did not disclose the borrowing to the Member. Following the discovery of the Respondent's misconduct, the Respondent repaid the loans in full, save for \$10,000 that was forgiven by client WS.

15. Hearing panels have repeatedly held that borrowing money from a client gives rise to a conflict of interest under MFDA Rule 2.1.4. As stated by the Hearing Panel in *Gaunt (Re)*:

A conflict of interest occurs when one party to a matter advances, uses or pursues his own interests in dealing with another person, to whom he has an obligation of dealing fairly, to the detriment of that other person or to his own advantage rather than the person to whom he owes the duty of fairness.

Gaunt (Re), 2013 LNCMFDA 63 at para. 47.

Tonnies (Re), 2005 LNCMFDA 7 at para. 31.

MFDA Rule 2.1.4.

16. MFDA Hearing Panels have also consistently held that where an Approved Person engages in personal financial dealings with a client, he contravenes MFDA Rule 2.1.1. Accordingly, by borrowing \$200,000 from two clients, the Respondent contravened MFDA Rule 2.1.4 and 2.1.1.

The Switch

17. The Respondent admitted that on March 23, 2020, he processed a switch in client CK's account, totalling \$330,081.63, which the client had not authorized. MFDA Hearing Panels have repeatedly held that Approved Persons are not permitted to process a trade without complete instructions from the client on all elements of the trade. As stated by the Hearing Panel in *O'Brien (Re)*:

... mutual fund salespersons are not permitted to conduct discretionary trades and must always contact the client prior to making any transactions. Where an Approved Person fails to obtain client instructions prior to executing a trade, he engages in discretionary trading beyond the terms of his or her registration as a mutual fund salesperson.

O'Brien (Re), 2008 LNCMFDA 17.

Wallace (Re), 2017 LNCMFDA 7 at para. 33.

18. Indeed, as a consequence of the unauthorized switch, the client suffered a loss of \$52,450.54 in unrealized gains, which was ultimately compensated by the Bank. Accordingly, by

engaging in unauthorized trading, the Respondent contravened all of the requirements of the standard of conduct codified in MFDA Rule 2.1.1.

Wallace (Re), *supra* at para. 35.

Del Plavignano (Re), 2019 LNCMFDA 28 at para. 7.

Briske (Re), 2019 LNCMFDA 93 at para. 28.

19. Accordingly, the Panel unanimously concluded that all three of the alleged contraventions had been made out.

VI. PENALTY

20. A Hearing Panel should also consider the MFDA Sanction Guidelines. The Guidelines are not mandatory or binding on the Hearing Panel, but provide a summary of the factors upon which discretion can be exercised consistently and fairly. Many of the same factors that are listed above, which have been considered in previous decisions of MFDA Hearing Panels are also reflected and described in the Guidelines.

Mutual Fund Dealers Association of Canada Sanction Guidelines, dated November 15, 2018.

21. Hearing Panels have also previously considered the following factors when determining whether a sanction is appropriate:

- 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 by those who are permitted to participate in the capital markets; and
- k) Previous decisions made in similar circumstances.

Tonnies (Re), *supra* at para. 48.

Breckenridge (Re), *supra* at para. 77.

22. All three contraventions admitted by the Respondent constituted extremely serious misconduct. This is particularly so here, where the Respondent misappropriated the monies by processing redemptions in the clients' accounts without their knowledge or authorization, thereby concealing his misconduct. The misconduct is also further aggravated by the fact that it was directed at clients who were vulnerable by virtue of their age.

Ng (Re), *supra* at paras. 106-107.

Palumbo (Re), *supra* at para. 40.

Sanction Guidelines, p. 3(#3).

23. Second, even in the absence of client harm, borrowing from clients and the resulting conflicts of interest has been held to cause real harm to the securities industry. Approved Persons hold a position of trust with clients, which is abused when that position is used to obtain a benefit for the Respondent to the detriment of the clients. The Respondent borrowed the monies at a time when he faced significant financial difficulties.

Palumbo (Re), *supra* at para. 43.

Raza (Re), 2021 LNCMFDA 45 at para. 21.

24. Finally, unauthorized trading undermines the ability of a client to make decisions for and control his or her account, thereby causing harm to the position of trust held by mutual fund advisors in the securities industry.

Wallace (Re), *supra* at paras. 47-48.

25. Clients KL and CK undoubtedly suffered serious and significant harm. The clients suffered the loss of the \$114,481 misappropriated by the Respondent, the unrealized gains arising from the

unauthorized redemptions from their mutual fund accounts and the unauthorized switch in the case of client CK, and the profound breach of trust that arises from their mutual fund advisor taking advantage of them and of his access to their accounts.

26. The Respondent benefitted from the use of the \$114,481 and the additional \$200,000 that he borrowed from clients JK and WS.

27. As described further below, the amounts misappropriated were repaid by the Respondent. The unrealized gains were compensated by the Bank.

28. As set out in the Sanction Guidelines, voluntary acts of compensation should be considered a mitigating factor. Whether through the Bank or directly, the Respondent fully returned the amounts misappropriated from clients KL and CK and repaid the amounts borrowed from clients JK and WS (except for the \$10,000 forgiven by client WS). While it is relevant that such restitution was only made after the Respondent's misconduct was discovered as a result of a complaint from client CK's daughter, it is nonetheless a significant mitigating factor that the Respondent repaid all of the above noted amounts.

29. The Respondent has demonstrated that he fully recognizes the seriousness of the misconduct. In addition to the compensation paid by the Respondent described above, the Respondent fully cooperated with the MFDA's investigation, admitted his misconduct, and sought to settle this matter during the course of the MFDA's investigation. By entering into the Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expense associated with conducting a contested hearing of the allegations.

30. The Respondent had not previously been the subject of a MFDA disciplinary proceeding. This mitigating factor is of limited significance given the gravity of the misconduct.

31. The Panel was satisfied that the proposed penalty set out in the Settlement Agreement also satisfied the requirements of deterrence, both general and specific.

VII. RESULT

32. For all the above reasons, the Panel concluded that the contraventions committed by the Respondent are extremely serious. Accordingly, the following penalties were imposed upon the Respondent:

- a) The Respondent is permanently prohibited from conducting securities related business while in the employ of or in association with a Member of the MFDA, pursuant to section 24.1.1(e) of MFDA By-law No. 1.
- b) The Respondent shall pay a fine in the amount of \$50,000 in certified funds on the date of this Order, pursuant to section 24.1.1(b) of MFDA By-law No. 1.
- c) The Respondent shall pay costs in the amount of \$5,000 in certified funds on the date of this Order, pursuant to section 24.2 of MFDA By-law No. 1.
- d) 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 23rd day of August, 2022.

“Frederick W. Chenoweth”

Frederick W. Chenoweth
Chair

“Eugene E. Park”

Eugene E. Park
Industry Representative

“Craig Woolford”

Craig Woolford
Industry Representative

Appendix “A”

Settlement Agreement

File No. 202219



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: Jeong Heon (Abraham) Shin

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Settlement Hearing, the Mutual Fund Dealers Association of Canada (the “MFDA”) will announce that it proposes to hold a hearing to consider whether, pursuant to section 24.4 of By-law No. 1, a hearing panel of the Central 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, Jeong Heon (Abraham) Shin (the “Respondent”).

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff conducted an investigation of the Respondent’s activities. The investigation disclosed that the Respondent had engaged in activity for which the Respondent could be penalized on the exercise of the discretion of the Hearing Panel pursuant to s. 24.1 of By-law No. 1.

3. Staff and the Respondent recommend settlement of the matters disclosed by the investigation in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule “A”.

4. Staff and the Respondent agree that the terms of this Settlement Agreement, including the attached Schedule “A”, will be released to the public only if and when the Settlement Agreement is accepted by the Hearing Panel.

III. ACKNOWLEDGMENT

5. Staff and the Respondent agree with the facts set out in Part IV herein for the purposes of this Settlement Agreement only and further agree that this agreement of facts is without prejudice to the Respondent or Staff in any other proceeding of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the MFDA (subject to Part IX) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is accepted by the Hearing Panel.

IV. AGREED FACTS

Registration History

6. Commencing March 14, 2003, the Respondent was registered in Ontario as a dealing representative.

7. From November 1, 2003 to September 21, 2020, the Respondent was registered with Royal Mutual Funds Inc. (the “Member”), a Member of the MFDA.

8. At all material times, the Respondent was also an employee of the Royal Bank of Canada (the “Bank”), the bank affiliate of the Member.

9. On September 21, 2020, the Respondent resigned from the Member and is no longer registered in the securities industry in any capacity.

10. At all material times the Respondent conducted business in the Toronto, Ontario area.

Misappropriation

11. As described in more detail below, the Respondent misappropriated money from two clients and borrowed money from two other clients to satisfy the margin call on his personal direct trading account (the “Trading Account”) and to pay other personal expenses. In February 2020, the Respondent had margined the account to approximately CAD\$626,000 and US\$82,000. Between January 2020 and March 2020, the value of the Respondent’s investments in the Trading

Account decreased from approximately \$750,000 to \$180,000. The Respondent initially attempted to satisfy the margin call with his personal resources, but by March 2020 he did not have sufficient sources of financing.

(i) **Client KL**

12. At all material times, client KL was a client of the Member whose accounts were serviced by the Respondent. At the time of the events described herein, client KL was 74 years old and by virtue of her age was a vulnerable client.

13. On March 9, 2020, the Respondent set up an online banking profile for client KL with the Bank without the client's knowledge or authorization. The Respondent used the online banking profile to open a new account with the Bank in the name of client KL (the "KL False Account").

14. On the same day, the Respondent redeemed the entirety of client KL's Tax Free Savings Account ("TFSA") without her knowledge or authorization, totalling \$54,481.73, which the Respondent directed to the KL False Account. On March 12, 2020, the Respondent transferred \$50,000 to repay money he borrowed from client JK as described below at paragraph 26.

15. On March 18, 2020, the Respondent withdrew the remaining \$4,481.73 from the KL False Account and used it for his personal benefit.

16. In November 2020, the Member reversed the position in client KL's investment account to restore client KL to the position she would have been in had the misappropriation not occurred. On November 20, 2020, the Respondent paid \$57,000 to the Bank on account of the Bank's reimbursement of KL's investment account.

(ii) **Client CK**

17. At all material times, client CK was a client of the Member whose accounts were serviced by the Respondent. At the time of the events described herein, CK was 90 years old and by virtue of her age was a vulnerable client.

18. On March 23, 2020, without the knowledge or authorization of client CK, the Respondent logged into client CK's online banking portal with the Bank using his credentials as a Bank employee and reset client CK's online banking password. The Respondent then used client CK's

online banking to open a new account with the Bank (the “CK False Account”) to which he could transfer money from client CK’s investment accounts without arousing suspicion.

19. On the same day, without client CK’s knowledge or authorization, the Respondent processed a redemption of \$60,000 from client CK’s non-registered account and directed the proceeds to the CK False Account. On March 24, 2020, the Respondent issued a \$60,000 bank draft from the CK False Account, payable to the Respondent’s spouse.

20. The Respondent did not immediately deposit the \$60,000 bank draft but retained it in his desk drawer at his office in case he required the money for his own personal use.

21. On or about August 17, 2020, the Respondent deposited the \$60,000 bank draft to pay down his personal line of credit.

22. In September 2020, the Respondent reimbursed the Bank \$60,000 the Bank paid to client CK to compensate her for the misappropriation. In addition, the Bank further compensated client CK \$7,671.51 on account of unrealized gains. The Bank has not sought repayment from the Respondent of this amount and the Respondent has not compensated the Bank for this amount.

Personal Financial Dealings

23. At all material times, the Member’s policies and procedures required that its Approved Persons identify actual or potential conflicts of interest, report and disclose actual or potential conflicts of interest to the Member, and eliminate or appropriately manage actual or potential conflicts of interest.

(iii) Client JK

24. At all material times, client JK was a client of the Member whose accounts were serviced by the Respondent. Client JK worked as a mortgage broker.

25. On March 10, 2020, the Respondent entered into a written loan agreement with client JK to borrow \$100,000 with interest of 10% per annum to be repaid within 3 months. The loan agreement also permitted the Respondent to ask for an extension of time to make the repayment if he provided collateral security. On the same day, client JK obtained a \$100,000 bank draft. The Respondent deposited the bank draft into his personal bank account and subsequently directed the monies to his Trading Account.

26. On March 12, 2020, the Respondent directed \$50,000 to client JK's account using monies that he misappropriated from client KL (discussed above). As a result of the \$50,000 payment, client JK agreed to extend the deadline to repay the borrowed money to December 2020.

27. On November 14 and 16, 2020, the Respondent repaid client JK the remaining \$50,000 balance with interest using his personal resources.

(iv) **Client WS**

28. At all material times, client WS was a client of the Member whose accounts were serviced by the Respondent. Client WS is also the Respondent's sister.

29. On or around March 26, 2020, client WS loaned the Respondent \$100,000 without terms or conditions after learning of his financial difficulties from the Respondent. Client WS provided the Respondent with a \$100,000 cheque, which the Respondent deposited into his personal bank account and subsequently directed the monies to the Trading Account.

30. On March 11, 2021, the Respondent repaid \$90,000 to client WS using his personal resources. WS has confirmed in writing that she has forgiven the remaining \$10,000.

Unauthorized Trading

31. At all material times, the Member's policies and procedures prohibited its Approved Persons from engaging in unauthorized or discretionary trading.

32. In March 2020, the Respondent met with client CK and recommended that she switch her investment in the RBC Select Very Conservative Portfolio ("Conservative Portfolio Fund") to the RBC Premium Money Market Fund ("Money Market Fund") to reduce volatility. Client CK advised the Respondent that she would think about the proposed transaction.

33. On March 23, 2020, without client CK's knowledge or authorization, the Respondent processed a switch in client CK's account totalling \$330,081.63 from the Conservative Portfolio Fund to the Money Market Fund. The Respondent used the online banking access that he had used to facilitate his misappropriation from client CK described above to process the unauthorized switch.

34. As a result of the unauthorized switch, client CK lost a total of \$52,450.54 in gains she would have received had she stayed invested in the Conservative Portfolio Fund. After the Respondent's misconduct came to light, the Member compensated client CK for this loss. The Bank has not sought repayment from the Respondent of this amount and the Respondent has not compensated the Bank for this amount.

Additional Factors

35. The Respondent benefited from the use of the \$114,481 he misappropriated from two clients and the \$200,000 he borrowed from two clients.

36. As described above, the Respondent repaid all the monies that he misappropriated, borrowed, or obtained from KL, CK, JK, and WS (except the \$10,000 forgiven by WS). The predominant source of the repayments was the Respondent's Trading Account, which recovered its value towards the end of 2020.

37. The Respondent's misconduct was discovered in early September 2020, when client CK and her daughter, who was client CK's power of attorney, raised questions with the Respondent concerning discrepancies in client CK's investment account. The Respondent subsequently admitted misappropriating monies from the investment account to client CK and her daughter. After learning of the misappropriation, Client CK's daughter made a complaint to the Bank and to the MFDA.

38. The Respondent fully cooperated with the MFDA's investigation, admitted his misconduct, and sought to settle this matter during the course of the MFDA's investigation. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expenses associated with conducting a full hearing on the allegations.

39. The Respondent's misappropriation of money from client CK was reported by Global News on November 19, 2020.

40. The Bank informed the police of the Respondent's misappropriation from clients KL and CK.

41. The Respondent states that he has been unable to find employment since he resigned from the Member.

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

V. CONTRAVENTIONS

43. The Respondent admits that between March 2020 and August 2020, he misappropriated \$114,481 from two elderly clients, contrary to MFDA Rule 2.1.1.

44. The Respondent admits that between March 2020 and November 2020, he engaged in personal financial dealings with two clients by soliciting and accepting \$200,000 from the clients, which gave rise to a conflict or potential conflict of interest that he failed to disclose to the Member or otherwise address by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to the Member's policies and procedures and MFDA Rules 2.1.4, 1.1.2, 2.5.1, and 2.1.1.

45. The Respondent admits that on or around March 23, 2020, he processed a switch of \$330,081 in a client's account without the client's authorization, contrary to the Member's policies and procedures and MFDA Rules 2.1.1, 1.1.2, and 2.5.1.

VI. TERMS OF SETTLEMENT

46. The Respondent agrees 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 a Member of the MFDA upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(e) of MFDA By-law No. 1;
- b) the Respondent shall pay fine in the amount of \$50,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of MFDA By-law No. 1;
- c) the Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA By-law No. 1;
- d) the Respondent shall attend by videoconference on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

47. If this Settlement Agreement is accepted by the Hearing Panel, Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the contraventions described in Part V of this Settlement Agreement, subject to the provisions of Part IX below. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any contraventions that are not set out in Part V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the contraventions set out in Part V, 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.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

48. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central Regional Council of the MFDA on a date agreed to by counsel for Staff and the Respondent. 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.

49. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and the Respondent also agree that if this Settlement Agreement is accepted by the Hearing Panel, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive his 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.

50. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, then the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to s. 24.1.1 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of By-law No. 1.

51. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, 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 him.

52. 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 Part IV of the 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.

IX. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

53. If, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel or an Order in the form attached as Schedule “A” is not made 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 By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

54. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

X. DISCLOSURE OF AGREEMENT

55. 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.

56. Any obligations of confidentiality shall terminate upon acceptance of this Settlement Agreement by the Hearing Panel.

XI. EXECUTION OF SETTLEMENT AGREEMENT

57. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

DATED this 28th day of April, 2022.

“Jeong Heon Shin”

Jeong Heon Shin

“JR”

Witness – Signature

JR

Witness – Print name

“Charles Toth”

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



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: Jeong Heon (Abraham) Shin

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Settlement Hearing pursuant to section 24.4 of MFDA By-law No. 1 in respect of Jeong Heon (Abraham) Shin (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 the Hearing Panel is of the opinion that the Respondent:

- a) between March 2020 and August 2020, misappropriated \$114,481 from two elderly clients, contrary to MFDA Rule 2.1.1;
- b) between March 2020 and November 2020, engaged in personal financial dealings with two clients by soliciting and accepting \$200,000 from the clients, which gave rise to a conflict or potential conflict of interest that he failed to disclose to the Member or otherwise address by the exercise of responsible business judgment

influenced only by the best interests of the clients, contrary to the Member's policies and procedures and MFDA Rules 2.1.4, 1.1.2, 2.5.1, and 2.1.1; and

- c) on or around March 23, 2020, processed a switch of \$330,081 in a client's account without the client's authorization, contrary to the Member's policies and procedures and MFDA Rules 2.1.1, 1.1.2, and 2.5.1.

IT IS HEREBY ORDERED THAT 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 association with a Member of the MFDA, pursuant to section 24.1.1(e) of MFDA By-law No. 1.

2. The Respondent shall pay a fine in the amount of \$50,000 in certified funds on the date of this Order, pursuant to section 24.1.1(b) of MFDA By-law No. 1.

3. The Respondent shall pay costs in the amount of \$5,000 in certified funds on the date of this Order, pursuant to section 24.2 of MFDA By-law No. 1.

4. 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]