

Re Song

IN THE MATTER OF:

The Mutual Fund Dealer Rules

and

Lifan Song

2024 CIRO 42

Canadian Investment Regulatory Organization
Hearing Panel (Manitoba District)

Heard: February 6, 2024 by electronic hearing in Winnipeg, Manitoba

Decision: February 6, 2024

Reasons for Decision: March 21, 2024

Hearing Panel:

Robert Stack, Chair

Sean Shore, Industry Representative

Bernie Plett, Industry Representative

Appearances:

Maria Abate, Enforcement Counsel

Rabita Sharfunddin, Counsel for the Respondent

Lifan Song, Respondent

REASONS FOR DECISION

I. BACKGROUND

¶ 1 On December 28, 2022, the Mutual Fund Dealers Association of Canada ("**MFDA**"), a predecessor of the Canadian Investment Regulatory Organization ("**CIRO**") (collectively referred to as the "Corporation"), issued a Notice of Hearing in relation to one of its Approved Persons, Lifan Song ("**Mr. Song**" or the "**Respondent**").

¶ 2 The Notice of Hearing set out two allegations:

- a) Commencing in April 2019, the Respondent failed to report to the Member complaints that he received from clients, and without the prior written consent of the Member, the Respondent paid compensation to clients, contrary to the Member's policies and procedures, and MFDA Rules 1.4, 2.1.4, 2.1.1 and 1.1.2 (as it relates to Rule 2.5.1), MFDA Policy No. 3, and MFDA Policy No.6 [now Mutual Fund Dealer Rules 1.4, 2.1.4(2), 2.1.1, 1.1.2, 2.5.1, 300, and 600]; and
- b) In or around March 2020, the Respondent provided a false or misleading response to the Member during the course of its investigation into his conduct, contrary to MFDA Rule 2.1.1 [now Mutual Fund Dealer Rule 2.1.1].

¶ 3 Subsequently, in November 2023, Corporation Staff entered into a Settlement Agreement with the Respondent (the "**Settlement Agreement**"). The Settlement Agreement was provided to the Panel so that it

could exercise its jurisdiction to either accept or reject the terms of the Settlement Agreement.¹

¶ 4 While this proceeding was commenced by the MFDA, it is continued by CIRO pursuant to transitional provisions set out in Mutual Fund Dealer Rule 1.A and s. 14.6 of By-law No. 1 of the Corporation. The power to approve settlements is now set out in Mutual Fund Dealer Rule 7.4.4.3.

II. DISCLOSURE OF MISCONDUCT IN THE SETTLEMENT AGREEMENT

¶ 5 At the hearing, the Staff of the Corporation asked for an order that the Hearing Panel review the Settlement Agreement in camera pursuant to Rule 15.2(2) of the Mutual Fund Dealer Rules of Procedure. The Hearing Panel did order that the hearing be conducted in private until a decision was reached on the Settlement Agreement.

¶ 6 The Settlement Agreement was then presented to the Hearing Panel for review. It contained the following admissions by the Respondent:

- a) Commencing in April 2019, the Respondent failed to report to the Dealer Member complaints that he received from clients, and without the prior written consent of the Dealer Member, the Respondent paid compensation to clients, contrary to the Dealer Member's policies and procedures and MFDA Rules 1.4, 2.1.4, 2.1.1 and 1.1.2 (as it relates to Rule 2.5.1), MFDA Policy No. 3, and MFDA Policy No.6 [now Mutual Fund Dealer Rules 1.4, 2.1.4(2), 2.1.1, 1.1.2, 2.5.1, 300, and 600; and
- b) In or around March 2020, the Respondent provided a false or misleading response to the Dealer Member during the course of its investigation into his conduct, contrary to MFDA Rule 2.1.1 [now Mutual Fund Dealer Rule 2.1.1.

¶ 7 The Settlement Agreement further disclosed the following facts and admissions:

- a) the Respondent had been registered in Manitoba, Alberta, and Ontario from January 2017 to March 2020 as a dealing representative with Investors Group Financial Services Inc. (the "Member")
- b) the Member terminated the employment of the Respondent in around March 2020 and he has not been registered since in any capacity in the security industry;
- c) the Respondent conducted securities related business in the Winnipeg, Manitoba area before his termination.

¶ 8 In relation to the allegations about the failure to report complaints and the paying of client compensation, the Settlement Agreement provided the following information:

- a) while the Respondent was registered with the Member, the Member had in place policies and procedures requiring approved persons to report all complaints to their branch manager and prohibiting approved persons from directly paying compensation to clients or entering into settlement agreements with clients;
- b) in May 2019, 13 clients of the Member whose accounts the Respondent handled redeemed investments in a real estate mutual fund. As a result of these redemptions, each of the investors had to pay a 2% redemption fee;
- c) in May and June 2019, several clients complained about the payment of the redemption fee. Mr. Song did not report these complaints to the Member. In May 2019, the Respondent then paid compensation directly to 5 of these clients through a variety of means (personal cheque, contribution to an account, and gift cards) and he did so without informing the member;
- d) further, when a client complained about the tax consequences of the redemption, the

¹ MFDA By-law No. 1, Section 24.4.3 (now Mutual Fund Dealer Rule 7.4.4)

Respondent, without informing the Member about the complaint or the compensation, paid the client \$10,336.84.

¶ 9 Specifically in relation to the allegations about false or misleading statements to the Member, the Settlement Agreement disclosed the following:

- a) in June 2019, the Respondent did inform the Member about one complaint relating to the redemptions of the property fund and this led to an investigation by the Member;
- b) during the course of the investigation, in or around March 2020, Mr. Song provided a statement to the Member in which he stated that he had compensated all clients for fees and taxes (presumably relating to the redemptions of the property fund); and
- c) the Respondent admitted in the Settlement Agreement that this statement was false or misleading since he had only paid compensation to 5 of the 13 affected clients.

¶ 10 The Settlement Agreement also included the following information about matters relevant to sanction:

- a) Mr. Song has not been the subject of any discipline by the Corporation or its predecessors;
- b) In relation to the 13 affected clients, 5 were reimbursed by the Respondent and a further 2 received compensation from the Member. The remaining 6 made no complaint and any loss in relation to the redemption charges was fairly small;
- c) Staff admits in the Settlement Agreement that the Respondent saved the Corporation time, resources and expenses ordinarily associated with a contested hearing.

¶ 11 The Settlement Agreement included not only admissions of fact, but also of liability for contravention of MFDA Rules and Policies, briefly described below:

- a) Rule 1.1.2 requires approved persons to conduct securities related business in accordance with the By-laws and Rules of the Corporation and applicable securities legislation relating to the operations, standards, and business conduct of members. Members are required under MFDA Rule 2.5.1 to have policies and procedures relating to the conduct of securities related business consistent with Corporation By-laws, Rules and policies, which include requirements to have a complaint procedure in place.
- b) MFDA Rule 1.4(b) requires that approved persons, as prescribed by the Corporation, must report complaints and the payment of compensation to their Member.
- c) MFDA Rule 2.1.1 requires high standards of conduct on the part of approved persons. It is relevant, among other reasons, because making false or misleading statements to a member in the course of an investigation into the conduct of an approved person falls below this standard.
- d) MFDA Rule 2.1.4 requires approved persons to be aware of the possibility of conflicts of interest with clients, to disclose such conflicts to members and to address conflicts in favour of the client. As the complaints in this case and the possibility of a claim for compensation created a potential conflict of interest between the Approved Person and the client, the complaints should have been disclosed to the Member.
- e) MFDA Policy 3² requires members to establish complaint handling processes and requires approved persons to report complaints to their member. Among other things, it prohibits approved persons from paying compensation to clients without member approval.
- f) MFDA Policy 6³ requires the disclosure of information from the approved person to the member (and from the member to the Corporation) in certain situations. One of those is

² MFDA Policy 3, Complaint Handling, Supervisory Investigations and Internal Discipline

³ MFDA Policy 6, Information Reporting Requirements

the payment of compensation by an approved person to a client.

¶ 12 The Respondent in the Settlement Agreement accepted liability for having contravened these provisions by failing to disclose client complaints, compensating clients without informing the Member, and false or misleading statements to the Member about the number of clients to whom Mr. Song provided funds. These admissions are supported by the facts set out in the Settlement Agreement.

III. PROPOSED TERMS OF SETTLEMENT

¶ 13 Staff and the Respondent have agreed that the above conduct should result in the following consequences for Mr. Song:

- a) 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 CIRO that is registered as a mutual fund dealer for a period of 6 months, pursuant to s. 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 a fine to CIRO in the amount of \$20,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 [now Mutual Fund Dealer Rule 7.4.1.1(b)] which shall be payable in accordance with the following schedule:
 - (i) \$7,500 payable to CIRO in certified funds upon acceptance of the settlement agreement by a Hearing Panel; and
 - (ii) \$12,500 payable on or before August 6, 2024.
- c) The Respondent shall pay costs to CIRO in the amount of \$5,000 in certified funds upon acceptance of this settlement agreement by a Hearing Panel, pursuant to s. 24.2 of MFDA By-law No. 1 [now Mutual Fund Dealer Rule 7.4.2];
- d) The Respondent shall in the future comply with Mutual Fund Dealer Rules 1.4, 2.1.4(2), 2.1.1, 1.1.2, 2.5.1, 300, and 600 (formerly MFDA Rules 1.4, 2.1.4, 2.1.1, 1.1.2, and 2.5.1, as well as Policy Nos. 3 and 6); and
- e) The Respondent shall attend the Settlement Hearing electronically by videoconference on the date when the Settlement Hearing is scheduled.

IV. Panel jurisdiction in relation to Settlement Agreements and Sanctioning Factors

¶ 14 When a settlement agreement has been referred to it under By-law No. 1, s. 24.4.3, a Corporation hearing panel is required to do one of two things: either accept or reject the agreement. Corporation panels have concluded that a hearing panel reviewing an agreed set of sanctions is not to determine what the correct penalty is or what it thinks the penalty should be. Its role is to determine whether the penalty to which the parties have agreed is within a reasonable range of outcomes. Deference to settlement agreements may be particularly appropriate where senior counsel representing both parties have negotiated the set of sanctions.

Sterling Mutuals Inc. (Re), Hearing Panel of the Central Regional Council, File No. 200820, Decision and Reasons dated September 3, 2008 at p. 9.

Milewski (Re), [1999] I.D.A.C.D. No. 17 at p. 12, Ontario District Council Decision dated July 28, 1999 at p. 10.

Ho (Re), [2018] Hearing Panel of the Central Regional Council, MFDA File No. 2017120, Reasons for Decision dated March 5, 2018 at para. 25.

¶ 15 In considering whether a proposed penalty is in a reasonable range, MFDA panels have considered general sanction factors such as the following:

- 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.

Milewski (Re), [1999] I.D.A.C.D. No. 17 at p. 12, Ontario District Council Decision dated July 28, 1999 at p. 25.

Laverdiere (Re), [2010] Hearing Panel of the Pacific Regional Council, MFDA File No. 200936, Panel Decision dated May 12, 2010, at para. 22.

¶ 16 General sanctions factors, when applied to a circumstance where the parties are jointly recommending a set of sanctions, have been expressed as follows:

- a) Whether acceptance of the Settlement Agreement would be in the public interest and whether the penalties 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;
- g) Whether the Settlement Agreement will foster confidence in the regulatory process itself.

Jacobson (Re), [2007] Hearing Panel of the Prairie Regional Council, MFDA File No. 200712, Reasons for Decision dated July 13, 2007, at para. 68

V. Reasonableness of the Proposed Sanctions

¶ 17 The Hearing Panel concluded that the proposed sanction is reasonable in the circumstances. Considering the sanction factors set out above, the Respondent's conduct was clearly serious. He attempted to resolve a complaint in a manner involving personal financial dealings that put him in a conflict of interest with his clients. Further, the failure to provide notice to the Member meant that the Member could not investigate the complaint, determine whether any referral to the MFDA was necessary and whether any conflict was being properly managed. Further, member investigations will not function properly if members are not provided with accurate information from approved persons. The false or misleading statement to the Member similarly could have impaired a full investigation and assessment of conflicts.

¶ 18 Having said that, there is no evidence of investor harm in this case. Whatever losses investors may have suffered in relation to the redemption fee, there was no allegation of regulatory misconduct relating to the triggering of that fee. It is further not clear that the failure to disclose the complaints caused any additional loss. As well, there is no evidence that the Respondent benefitted from the contraventions to which he has admitted.

¶ 19 In terms of the outcome in similar cases, Staff provided 4 other settlement decisions⁴ involving approved persons failing to disclose complaints or negotiating settlement agreements with clients in the absence of informing their Member. While these were decisions that involved the approval of settlements rather than Panels determining what they thought the appropriate penalty should be in the circumstances, the decisions still were helpful in establishing what other Panels have considered reasonable for this form of misconduct. The Settlement Agreement in this case is within the range of similar outcomes and the Panel therefore accepted it.

VI. CONCLUSION

¶ 20 The Hearing Panel exercised its jurisdiction under s. 24.4.3 of MFDA By-law No. 1 to approve the Settlement Agreement. It then directed that the hearing be again open to the public and marked the Settlement Agreement as an Exhibit.

DATED at Winnipeg, Manitoba this 21st day of March 2024.

“Robert Stack”

Robert Stack, Chair

“Sean Shore”

Sean Shore, Industry Representative

“Bernie Plett”

Bernie Plett, Industry Representative

⁴ Re: *Pan Chen*, [2010] Hearing Panel of the Pacific Regional Council, MFDA File No. 201006, Reasons for Decision dated April 18, 2011; Re: *Jason Andrew Savoy*, [2017] Hearing Panel of the Atlantic Regional Council, File No. 2016108, Reasons for Decision dated November 20, 2017; Re: *Dennis Jerome Duclos*, [2023] Hearing Panel of the Central Regional Council, File No. 202213, Reasons for Decision dated February 7, 2023; (Re) *Kenneth George Russell*, [2022] Hearing Panel of the Central Regional Council, MFDA File No. 202209, Reasons for Decision dated April 27, 2022.

Appendix “A”
Settlement Agreement
File No. 202264

IN THE MATTER OF:

The Mutual Fund Dealer Rulesⁱ

and

Lifan Song

SETTLEMENT AGREEMENT

1. INTRODUCTION

¶ 1 The Canadian Investment Regulatory Organization, a consolidation of IROC and the MFDA (“CIRO”) 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 CIRO (“Staff”) and Lifan Song (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.

2. CONTRAVENTIONS

¶ 4 The Respondent admits to the following violations of the By-laws, Rules or Policies of the MFDA:

- a) Commencing in April 2019, the Respondent failed to report to the Dealer Member complaints that he received from clients, and without the prior written consent of the Dealer Member, the Respondent paid compensation to clients, contrary to the Dealer Member’s policies and procedures, and MFDA Rules 1.4, 2.1.4, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1), MFDA Policy No. 3, and MFDA Policy No. 6 [now Mutual Fund Dealer Rules 1.4, 2.1.4(2), 2.1.1, 1.1.2, 2.5.1, 300, and 600]; and⁵
- b) In or around March 2020, the Respondent provided a false or misleading response to the Dealer Member during the course of its investigation into his conduct, contrary to MFDA Rule 2.1.1 [now Mutual Fund Dealer Rule 2.1.1].

3. TERMS OF SETTLEMENT

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

- a) 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 CIRO that is registered as a mutual fund dealer for a period of 6 months, pursuant to s. 24.1.1(e) of MFDA By-law No. 1 [now Mutual Fund Dealer Rule 7.4.1.1(e)];

⁵ MFDA Rule 1.1.2 was amended effective July 7, 2022. MFDA Rule 2.1.4 was amended effective June 30, 2021. MFDA Rule 2.2.1 was amended effective December 31, 2021. The conduct addressed in this proceeding pre-dated the amendments and contravened the versions of MFDA Rules 1.1.2, 2.1.4, and 2.2.1 that were in force at the time of the conduct.

- b) The Respondent shall pay a fine to CIRO in the amount of \$20,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 [now Mutual Fund Dealer Rule 7.4.1.1(b)] which shall be payable in accordance with the following schedule:
- (i) \$7,500 payable to CIRO in certified funds upon acceptance of the settlement agreement by a Hearing Panel; and
 - (ii) \$12,500 payable on or before August 6, 2024.
- c) The Respondent shall pay costs to CIRO in the amount of \$5,000 in certified funds upon acceptance of this settlement agreement by a Hearing Panel, pursuant to s. 24.2 of MFDA By-law No. 1 [now Mutual Fund Dealer Rule 7.4.2];
- d) The Respondent shall in the future comply with Mutual Fund Dealer Rules 1.4, 2.1.4(2), 2.1.1, 1.1.2, 2.5.1, 300, and 600 (formerly MFDA Rules 1.4, 2.1.4, 2.1.1, 1.1.2, and 2.5.1, as well as Policy Nos. 3 and 6), and
- e) The Respondent shall attend the Settlement Hearing electronically by videoconference on the date when the Settlement Hearing is scheduled.

¶ 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”.

4. AGREED FACTS

Registration History

¶ 7 From January 2017 until March 2020, the Respondent was registered in Manitoba, Alberta and Ontario as a dealing representative with Investors Group Financial Services Inc. (the “Dealer Member”), a Dealer Member of CIRO (formerly a Dealer Member of the MFDA).

¶ 8 On or about March 2020, the Dealer Member terminated the Respondent, and he is not currently registered in the securities industry in any capacity.

¶ 9 At all material times, the Respondent conducted business in the Winnipeg, Manitoba area.

Failing to Report Client Complaints and Paying Compensation Directly to Clients

¶ 10 At all material times, the Dealer Member’s policies and procedures:

- a) required Approved Persons to report all client complaints to their branch manager; and
- b) prohibited Approved Persons from directly paying compensation to a client or entering into a settlement agreement with a client.

¶ 11 In May 2019, 13 clients (the “Clients”) whose accounts at the Dealer Member were serviced by the Respondent, redeemed their investments in a real estate mutual fund (the “Property Fund”) that the Respondent had recommended. As a consequence of these redemptions, the Clients incurred a redemption fee of 2% of the net value of their assets invested in the Property Fund (the “Liquidity Fee”) as set out below:

Client	Amount Redeemed	Liquidity Fee Charged
TG	\$3,202.78	\$62.11
LW	\$88,973.62	\$1,807.40
XZ	\$396,294.49	\$8,063.00
WY	\$45,668.85	\$928.54
XZ2	\$27,670.37	\$562.95
XZ3	\$9,766.59	\$198.81
KG	\$9,845.65	\$199.96
QH	\$20,037.86	\$407.09

Client	Amount Redeemed	Liquidity Fee Charged
JJ	\$9,823.24	\$199.85
JK	\$770,057.64	\$15,737.80
LO	\$99,318.05	\$2,025.56
FW	\$27,591.57	\$560.46
XY	\$43,918.96	\$894.24
Total:	\$1,572,303.72	\$31,647.77

¶ 12 In or around May and June 2019, several of the Clients complained to the Respondent about the Liquidity Fees that they had paid when they redeemed their holdings in the Property Fund. The Respondent failed to report any of the complaints to the Dealer Member.

¶ 13 Commencing in May 2019, the Respondent paid compensation directly to 5 of the 13 Clients in respect of the Liquidity Fees that those 5 Clients had incurred, as follows:

Client	Liquidity Fee Incurred	Manner of Reimbursement
WY	\$928.54	Personal Cheque
XZ2	\$562.95	Personal Cheque
QH	\$407.09	Respondent contributed monies towards an investment in the Client's Account
JK	\$15,737.80	Personal Cheque
LO	\$2,025.56	Gift Cards
Total:	\$19,661.94	

¶ 14 The payments listed in paragraph 13 above were made without the prior knowledge or authorization of the Dealer Member.

¶ 15 In May 2019, one of the clients (client JK) also complained to the Respondent regarding income taxes that he had incurred following the redemption of a mutual fund (not the Property Fund) that he held in his account at the Member. The Respondent failed to report client JK's complaint to the Dealer Member.

¶ 16 After receiving this complaint, the Respondent also paid \$10,336.84 to client JK in order to compensate client JK for income taxes that client JK incurred as a result of the redemption from his account.

¶ 17 The Respondent made the payment to client JK described in paragraph 16 above without the prior knowledge or authorization of the Dealer Member.

False or Misleading Statement to the Dealer Member During its Investigation

¶ 18 In or around June 2019, the Respondent informed the Member that client JK had complained about the redemption of the Property Fund as described in paragraph 12 above. The Dealer Member subsequently commenced an investigation into the Respondent's conduct.

¶ 19 In or around March 2020, during the Member's investigation into the Respondent's conduct, the Dealer Member requested a statement from the Respondent with respect to the Clients who had communicated complaints to the Respondent and to whom he had paid direct compensation.

¶ 20 The Respondent provided a statement to the Dealer Member in which he represented to the Dealer Member that he had compensated all of the Clients for fees and taxes that the Clients had paid.

¶ 21 The Respondent's statement to the Dealer Member was false or misleading at the time when he made

this statement, as the Respondent had paid compensation to only 5 of the 13 Clients who are listed in the chart in paragraph 13 above.

The Dealer Member's Investigation

¶ 22 As described above, the Dealer Member commenced an investigation into the Respondent's conduct in June 2019 when it became aware of client JK's complaint regarding the Property Fund.

¶ 23 In March 2020, the Dealer Member sent audit letters to the clients who were serviced by the Respondent informing the clients that the Respondent had been terminated, and requested that the clients contact the Dealer Member if they had any concerns regarding the Respondent's activities.

¶ 24 In response to the letters from the Dealer Member, two clients, XZ and LO, who are listed in the chart in paragraphs 11 and 13 above, complained in respect of the Liquidity Fees that they had incurred totaling \$8,063 and \$2,025.56, respectively. The Dealer Member compensated the clients for the Liquidity Fees that they had incurred.

Additional Factors

¶ 25 The Respondent has not previously been the subject of MFDA or CIRO disciplinary proceedings.

¶ 26 Out of the 13 Clients who incurred the Liquidity Fee, as listed in the chart in paragraph 11 above, five were reimbursed directly by the Respondent as listed in the chart in paragraph 13 above, and two were compensated by the Dealer Member. The remaining six clients incurred a total loss of \$1,897.57, but did not complain to the Dealer Member or seek compensation.

¶ 27 By entering into this Settlement Agreement, the Respondent has saved CIRO the time, resources, and expenses associated with conducting a contested hearing of the allegations.

5. ADDITIONAL TERMS OF SETTLEMENT

¶ 28 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 Mutual Fund Dealer Rules of Procedure.

¶ 29 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. 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 Mutual Fund Dealer 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.

¶ 30 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.

¶ 31 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 Mutual Fund Dealer 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 CIRO 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 facts and contraventions described in this

Settlement Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any facts and 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 (now Mutual Fund Dealer Rule 7.4.1.1) for the purpose of giving notice to the public thereof in accordance with section 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.

¶ 32 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.

¶ 33 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.

¶ 34 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.

¶ 35 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 29 day of November, 2023

"Lifan Song"
Lifan Song

"Witness"
Witness - Signature

"Witness"
Witness - Print name

"Charles Toth"
Staff of CIRO
Per: Charles Toth
Canadian Investment Regulatory Organization, Vice-President, Enforcement (Mutual Fund Dealers)

IN THE MATTER OF:**The Mutual Fund Dealer Rules****and****Lifan Song**

ORDER

WHEREAS on December 28, 2022, 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 Dealer Rules 7.3 and 7.4) in respect of a disciplinary proceeding commenced against Lifan Song (the “Respondent”);

AND WHEREAS on January 1, 2023, the MFDA and the Investment Industry Regulatory Organization of Canada (“IIROC”) consolidated to form the New Self-Regulatory Organization of Canada, now called the Canadian Investment Regulatory Organization (“CIRO”);

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the CIRO 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 sections 20 and 24.1 of MFDA By-law No. 1 (now Mutual Fund Dealer Rules 7.3 and 7.4.1);

WHEREAS on [date], CIRO provided notice to the public of a Settlement Hearing in respect of the Respondent;

AND WHEREAS based upon the admissions of the Respondent in the Settlement Agreement, the Hearing Panel is of the opinion that:

- a) Commencing in April 2019, the Respondent failed to report to the Dealer Member complaints that he received from clients, and without the prior written consent of the Dealer Member, the Respondent paid compensation to clients, contrary to the Member’s policies and procedures, and MFDA Rules 1.4, 2.1.4, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1), MFDA Policy No. 3, and MFDA Policy No. 6 (now Mutual Fund Dealer Rules 1.4, 2.1.4(2), 2.1.1, 1.1.2, 2.5.1, 300, and 600); and
- b) In or around March 2020, the Respondent provided a false or misleading response to the Dealer Member during the course of its investigation into his conduct, contrary to MFDA Rule 2.1.1 (now Mutual Fund Dealer Rule 2.1.1);

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

¶ 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 CIRO that is registered as a mutual fund dealer for a period of 6 months commencing on the date of this Order, pursuant to s. 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 \$20,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 [now Mutual Fund Dealer Rule 7.4.1.1(b)] which shall be payable to CIRO in accordance with the following schedule:

- a) \$7,500 payable in certified funds on the date of this Order; and
- b) \$12,500 payable on or before August 6, 2024.

¶ 3 The Respondent shall pay costs in the amount of \$5,000 in certified funds on the date of this Order, pursuant to s. 24.2 of MFDA By-law No. 1 [now Mutual Fund Dealer Rule 7.4.2];

¶ 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 CIRO's Privacy Policy, then the Corporate Secretary's Office, Mutual Fund Dealer Division of CIRO 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 Mutual Fund Dealer Rules of Procedure.

DATED this [day] day of February, 2024.

Per: Name,

Chair

Per: Name,

Industry Representative

Per: Name,

Industry Representative

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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 that is called the Canadian Investment Regulatory Organization (referred to herein as "CIRO") and is recognized under applicable securities legislation. CIRO 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 CIRO, contraventions of former MFDA regulatory requirements may be enforced by CIRO. Pursuant to Mutual Fund Dealer Rule 1A, MFDA By-law No. 1 continues to be applicable to this proceeding.