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Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

Notice of Hearing

File No. 202417

**IN THE MATTER OF
THE MUTUAL FUND DEALER RULES¹
and
JEREMY LIAM SHORT**

NOTICE OF HEARING

NOTICE is hereby given that a disciplinary proceeding has been commenced by the Canadian Investment Regulatory Organization (“CIRO”) against Jeremy Liam Short (the “Respondent”). The first appearance will take place electronically by videoconference before a hearing panel of the Manitoba District Hearing Committee of CIRO (the “Hearing Panel”) on September 23, 2024, at 10:00 am Central or as soon thereafter as the hearing can be held. The Hearing on the Merits will take place at a time and venue to be announced. Members of the public who would like to attend the first appearance by videoconference as an observer should contact hearings@ciro.ca to obtain particulars.

DATED this 8th day of July, 2024.

“Michelle Pong”

Michelle Pong
Director, Hearings

Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, ON M5H 0B4
Telephone: 416-945-5134
Email: hearings@ciro.ca

NOTICE is further given that CIRO alleges the following violations of the Mutual Fund Dealer Rules¹:

Allegation #1: In or about January 2022, the Respondent electronically signed a client's signature on a Letter of Direction to cancel the transfer of the client's investments to another Dealer Member, without speaking with the client or obtaining the client's authorization, contrary to Mutual Fund Dealer Rule 2.1.1.

Allegation #2: Between February 12, 2020 and February 1, 2022, the Respondent electronically signed the signatures of approximately 85 clients on 315 account forms and submitted the account forms to the Dealer Member for processing, contrary to Mutual Fund Dealer Rule 2.1.1.

Allegation #3: Between February 12, 2020 and February 1, 2022, the Respondent created notes on the Dealer Member's system containing false or misleading information, contrary to Mutual fund Dealer Rule 2.1.1.

Allegation #4: Between January 7, 2022, and January 19, 2022, the Respondent made false or misleading statements to the Dealer Member during the course of its investigation into the Respondent's conduct, contrary to Mutual Fund Dealer Rule 2.1.1.

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by CIRO at the hearing:

Registration History

1. Between February 12, 2020 and May 12, 2022, the Respondent was registered in Manitoba as a dealing representative with Investors Group Financial Services Inc. ("IG"), a Dealer Member of CIRO (formerly a Member of the MFDA).

¹ At the time of the conduct addressed in this proceeding, MFDA Rule 2.1.1 was in effect and are now incorporated into Mutual Fund Dealer Rule 2.1.1 referred to in this proceeding.

2. On May 12, 2022, IG terminated the Respondent as a result of the conduct described herein, and the Respondent is currently not registered in the securities industry in any capacity.

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

Allegation #1 - Cancelling Transfer Request Without Client Authorization

4. At all material times, client FG was a client of IG whose accounts were serviced by the Respondent.

5. On December 6, 2021, IG received a Transfer Authorization Form signed by client FG, requesting the transfer of client FG's investments at IG to another Dealer Member (the "Requesting Institution"). On or about December 24, 2024, the Respondent electronically signed client FG's signature on a Letter of Direction (the "December 24 LOD") that cancelled the transfer request.

6. Based on the December 24 LOD, IG cancelled the request to transfer client FG's investments from IG to the Requesting Institution.

7. On December 30, 2021, IG received another Transfer Authorization Form signed by client FG requesting the transfer of client FG's investments at IG to the Requesting Institution.

8. Without contacting the client or obtaining the client's authorization, the Respondent again electronically signed client FG's signature on a Letter of Direction dated January 5, 2022 (the "January 5 LOD") that purported to cancel the transfer request.

9. The Respondent electronically signed client FG's signature on the two Letters of Direction and submitted them to IG for processing, and with respect to the January 5 LOD, submitted the document to cancel the transfer without speaking with the client, or obtaining the client's authorization.

10. Subsequently, IG processed the transfer of client FG's investments to the Receiving Institution.

11. As a result of the Respondent's conduct, client FG incurred losses of approximately \$285 due to the delay in transferring the investments. IG compensated client FG for the losses.

12. By virtue of the foregoing, the Respondent engaged in conduct that was contrary to Mutual Fund Dealer Rule 2.1.1.

Allegation #2 - Signed Client's Electronic Signatures

13. At all material times, IG's policies and procedures prohibited Approved Persons from signing another person's name on any document. The prohibition applied regardless of whether the client requested the Approved Person to sign on their behalf and there is no fraudulent intention by the Approved Person.

14. IG permitted its Approved persons to use two specific platforms ("ESPs") to obtain and authenticate electronic signatures obtained from clients. Both platforms automatically produce an electronic audit trail, which evidences the authentic electronic signature of clients.

15. Both ESPs require two-factor authentication in which a code is sent to the client's personal phone number by text message following receipt of the document by email. The client then enters the code into the ESP to access the document and sign it. Once the client has electronically signed the document, it is returned to the Approved Person who completes the signing then submits it to IG for processing.

16. Between February 12, 2020 and February 1, 2022, the Respondent used both ESPs to electronically sign approximately 315 forms relating to 85 clients. Instead of using the ESPs to obtain the client's signature, the Respondent sent the forms to his own email and entered his phone number to circumvent the double authentication system of the ESPs. The forms were never sent to the clients and they did not review them.

17. The forms included:

- four Letter of Direction forms
- 60 Account Agreements
- 8 Investment Profile Questionnaire forms
- 27 Client Update forms
- 81 Know Your Client forms
- 11 Letter of Understanding forms
- 22 Account Application forms
- 18 Assignment of Beneficiary forms
- 17 Miscellaneous forms
- 34 Switch forms
- 19 Transfer forms
- six Investment Instructions forms
- three Withdrawal forms
- five Pre-authorized Contribution forms

18. By virtue of the foregoing, the Respondent electronically signed the signatures of clients, contrary to Mutual Fund Dealer Rule 2.1.1.

Allegation #3 - Created False or Misleading Notes

19. Following signing the electronic signatures of some of the clients described above, the Respondent created false or misleading notes in IG's system in relation to the completion of the account forms.

20. The Respondent's notes stated that he had emailed the forms to the clients and that the clients had signed the forms. This was false and misleading since the Respondent did not email the forms to the clients and the Respondent had signed their signatures as described above.

21. By virtue of the foregoing, the Respondent created notes that were false or misleading in IG's system, contrary to Mutual Fund Dealer Rule 2.1.1.

Allegation #4 - False or Misleading Statements to the Dealer Member

22. IG commenced an investigation into the Respondent's conduct described above. During their initial interview in January 2022, the Respondent told IG that besides client FG, he had not signed the signature of any other clients.

23. On January 19, 2022, the Respondent told IG that he had electronically signed the signatures of eleven clients (including client FG).

24. The Respondent's statements to IG were false or misleading, since, as described above, the Respondent signed the electronic signatures of approximately 85 clients on 315 account forms.

25. By virtue of the foregoing, the respondent made false or misleading statements to IG contrary to Mutual Fund Dealer Rule 2.1.1.

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that pursuant to Mutual Fund Dealer Rule 1A that any person subject to the jurisdiction of the Mutual Fund Dealers Association of Canada prior to January 1, 2023 remains subject to the jurisdiction of CIRO in respect of any action or matter that occurred while that person was subject to the jurisdiction of the Mutual Fund Dealers Association of Canada at the time of such action or matter.

NOTICE is further given that the Mutual Fund Dealer Rules provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with CIRO;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Dealer Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of the Mutual Fund Dealer Rules of CIRO;
- has engaged in any business conduct or practice which such Hearing Panel in its discretion considers unbecoming or not in the public interest; or

- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000.00 per offence; and
 - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- (c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- (d) revocation of the authority of such person to conduct securities related business;
- (e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Hearings Office within twenty (20) days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Canadian Investment Regulatory Organization
Mutual Fund Dealer Division
Suite 800, 255-5th Ave SW
Calgary, AB T2P 3G6
Attention: Jennifer Galarneau
Email: jgalarneau@ciro.ca

A **Reply** shall be **filed** by:

(a) providing 4 copies of the **Reply** to the Hearings Office, by personal delivery, mail or courier to:

Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, ON M5H 0B4
Attention: Hearings Office

(b) transmitting 1 electronic copy of the **Reply** to the Hearings Office by e-mail at hearings@ciro.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by CIRO in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by CIRO in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

- (a) to **serve** and **file** a **Reply**; or

- (b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by CIRO in the Notice of Hearing as having been proven and may impose any of the penalties described in the Mutual Fund Dealer Rules.

End.

ⁱ On January 1, 2023, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association of Canada (the “MFDA”) were consolidated into a single self-regulatory organization recognized under applicable securities legislation that is called the Canadian Investment Regulatory Organization (referred to herein as “CIRO”). 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. Where the rules of IIROC and the by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation have been incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules. Pursuant to Mutual Fund Dealer Rule 1A and s.14.6 of By-Law No. 1 of CIRO, contraventions of former MFDA regulatory requirements may be enforced by CIRO.