

**IN THE MATTER OF:**

**THE RULES OF THE INVESTMENT INDUSTRY REGULATORY  
ORGANIZATION OF CANADA**

**AND**

**SHAFIQUE HIRANI**

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION**

1. The Investment Industry Regulatory Organization of Canada (“IIROC”) will issue a Notice of Motion to announce that it will hold a settlement hearing to consider whether, pursuant to Section 8215 of the Consolidated Enforcement, Examination and Approval Rules of IIROC, a hearing panel (“Hearing Panel”) should accept the settlement agreement (“Settlement Agreement”) entered into between the staff of IIROC (“Staff”) and Shafique Hirani (“Respondent”).

**PART II – JOINT SETTLEMENT RECOMMENDATION**

2. Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

**PART III – AGREED FACTS**

3. For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

**i. Overview**

4. The Respondent permitted or directed staff to fill in pre-determined investment profiles on account forms while transitioning from the Mutual Fund Dealer Association subsidiary of Investors Group to the IIROC subsidiary. In some cases this included inserting the profiles into partially completed forms that had already been signed by the clients. The Respondent also failed to take appropriate care in his storing of documents containing his clients’ personal information.

**ii. Registration History**

5. The Respondent is currently employed with Aligned Capital Partners Inc. and is under close supervision. His previous registration history includes:

<b>From</b>	<b>To</b>	<b>Firm</b>	<b>Registration Category</b>
August 2015	Current	Aligned Capital Partners Inc.	Registered Representative (Securities) (Retail)
February 2015	April 2015	Investors Group Securities Inc.	Registered Representative (Mutual Funds only) (Retail)
January 2006	February 2015	Investors Group Financial Services Inc.	Mutual Fund Dealer Salesperson Branch Manager (MFDA members only from September 2009 to Jan 2015)
November 1995	January 2006	Investors Group Financial Services Inc.	Mutual Fund Salesperson

6. The Respondent while a Mutual Fund Dealer Association (“MFDA”) licensed consultant had been warned by his firm about the use of blank, pre-signed account form on two previous occasions.

**iii. Background**

7. The Respondent was employed by Investors Group Financial Services Inc. (“IG Financial”) as a MFDA licensed consultant from November 1995 to February 20, 2015. He then moved from IG Financial to Investors Group Securities Inc. (“IG Securities”), an IIROC firm. He was an IIROC Registered Representative from February 20, 2015, until his employment was terminated by IG Securities on April 16, 2015.
8. Commencing in or about January 2014, to facilitate his moving to IG Securities, the Respondent and IG Securities began the process of completing IG Securities client application forms in advance of the Respondent becoming an IIROC Registered Representative. During this process the Respondent was assisted by a staff which included two Associate Consultants and three Assistants (the “Team”).
9. These client application forms were stored by IG Securities and intended to be used by IG Securities to open accounts once the Respondent became registered.
10. Various staff from IG Financial and IG Securities played a significant role in designing and implementing the process by which the Respondent’s clients would be transferred to IG Securities. They were also involved in the hiring and training of the Respondent’s Team. Many of the Team members had limited or no experience working in the financial industry.

**iv. Failure to Know Clients**

11. The transferring of the accounts of his IG Financial clients to the IG Securities platform involved the Respondent permitting or directing his Team to fill in the following pre-determined investment profiles for many of his client's account application forms:
  - a) Investment Knowledge: High;
  - b) Time Horizon: 6 to 10 years;
  - c) Risk Tolerance: High;
  - d) Investment Objectives: 100% long-term growth; and
  - e) Purpose of Account: Retirement Savings.
  
12. In some cases these profiles were filled in using account forms that had been signed by the clients before the investment profiles had been filled in.
  
13. As a result of the Respondent's conduct, when he became an IIROC Registrant the NCAFs for 364 of the approximately 368 clients which were transferred to IG Securities contained the following identical investment profile:
  - a) Investment Knowledge: High;
  - b) Time Horizon: 6 to 10 years;
  - c) Risk Tolerance: High;
  - d) Investment Objectives: 100% long-term growth; and
  - e) Purpose of Account: Retirement Savings.
  
14. In some instances, the clients' account forms set out personal and financial information that, on their face, raised issues about internal consistency with this stated investment profile. There are no allegations of unsuitability of any investments.

**v. Storing client personal information in unapproved manner**

15. While at IG Securities the Respondent failed to take appropriate care in his handling of his clients' personal information. In 2013 the Respondent instructed a Team member to set up an account with the cloud-based storage service Dropbox. He then had his staff routinely upload various documents to the storage server. These documents include client:
  - a) account forms;
  - b) account statements from financial institutions;
  - c) mortgage details;
  - d) life insurance summaries;
  - e) personal tax assessments; and
  - f) account statements.
  
16. Many of the documents contained client personal information, such as:
  - a) telephone numbers;
  - b) banking information including account numbers;
  - c) home addresses;
  - d) income tax information; and
  - e) social insurance numbers.
  
17. By April of 2015 over 35,000 documents were uploaded to the Respondent's Dropbox account. The Respondent's continued the use of the Dropbox after he became an IIROC Registrant with IG Securities. The Respondent retained access to the Dropbox account for a period of time after his termination for the purposes of a dispute with IG Securities and to preserve ongoing access to his clients' account information.

18. Before his employment was terminated by IG Securities, the Respondent was suspended and was prohibited from attending his office as a result of an unrelated matter. During this time he instructed one of his Team members to upload client information to the Dropbox account.
19. The Respondent's use of Dropbox resulted in a lack of control over his clients' personal information. After the Respondent's dismissal from IG Securities, a former IG Securities employee was in possession of a portable storage device containing client documents that were the same as those found on the Dropbox account. These included documents containing clients' personal information. The portable storage device was returned to Investors Group and the information was secured and not further distributed.
20. The use of Dropbox and the portable storage device contravened IG Securities' security policies. Under these policies, both IG Securities and the clients were required to provide prior approval of the Respondent's use of any third party storage services. The Respondent did not seek such approval.

**vi. Mitigating Factors**

21. No client complaints or harm have been identified as arising from the Respondent's conduct in this matter.
22. The Respondent has been working as Registrant with Aligned Capital Partners Inc. since May of 2015 with no complaints or concerns.

**vii. Other**

23. The Respondent is not making any admissions respecting his former employer's knowledge of or participation in the facts giving rise to the contraventions. This agreement pertains only to the Respondent's role in the matters referred to herein.

## PART IV – CONTRAVENTIONS

24. By engaging in the conduct described above, the Respondent committed the following contraventions of IIROC's Rules:

### Count 1

- a) Between February 20, 2015 and April 16, 2015, the Respondent failed to use due diligence to learn and remain informed of the essential facts in regard to approximately 364 of his clients, contrary to Dealer Member Rule 1300.1(a); and

### Count 2

- b) Between February 20, 2015 and August 14, 2015, the Respondent dealt with the personal information of his clients in a manner that was unbecoming and detrimental to the public interest, and inconsistent with high standards of ethics, contrary to Dealer Member Rule 29.1.

## PART V – TERMS OF SETTLEMENT

25. The Respondent agrees to the following sanctions and costs:
- a) A fine in the amount of \$70,000.00;
  - b) A suspension from acting in a registered capacity for a period of three months, effective November 2, 2018;
  - c) A period of close supervision for six months;
  - d) Must successfully rewrite of the Conduct and Practices Handbook exam; and
  - e) Pay costs to IIROC in the amount of \$15,000.00.

26. If this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Staff and the Respondent.

#### **PART VI – STAFF COMMITMENT**

27. If the Hearing Panel accepts this Settlement Agreement, Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.
28. If the Hearing Panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out Part III of this Settlement Agreement.

#### **PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT**

29. This Settlement Agreement is conditional on acceptance by the Hearing Panel.
30. This Settlement Agreement shall be presented to a Hearing Panel at a settlement hearing in accordance with the procedures described in Sections 8215 and 8428, in addition to any other procedures that may be agreed upon between the parties.
31. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the Hearing Panel.

32. If the Hearing Panel accepts the Settlement Agreement, the Respondent agrees to waive all rights under the IIROC Rules and any applicable legislation to any further hearing, appeal and review.
33. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement or Staff may proceed to a disciplinary hearing based on the same or related allegations.
34. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.
35. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and IIROC will post a full of copy of this Settlement Agreement on the IIROC website. IIROC will also publish a summary of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement.
36. If this Settlement Agreement is accepted, the Respondent agrees that neither he nor anyone on his behalf, will make a public statement inconsistent with this Settlement Agreement.
37. The Settlement Agreement is effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.

**PART VIII – EXECUTION OF SETTLEMENT AGREEMENT**

38. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.
39. A fax or electronic copy of any signature will be treated as an original signature.

**DATED** this 24 day of September, 2018.

“LORI WATTS”  
**Witness**

“SHAFIQUE HIRANI”  
**Shafique Hirani**

“NARGIS BAKHTIARY”  
**Witness**

“TAYEN GODFREY”  
**Tayen Godfrey**  
Enforcement Counsel on behalf of  
Enforcement Staff of the Investment  
Industry Regulatory Organization of  
Canada

The Settlement Agreement is hereby accepted this 24 day of September, 2018 by the following Hearing Panel:

Per: “ALAN BEATTIE”  
**Panel Chair**

Per: “WILLIAM WELTON”  
**Panel Member**

Per: “BRADLEY WHYTE”  
**Panel Member**