Re Crane

IN THE MATTER OF:

The Rules of the Investment Industry Regulatory Organization of Canada

and

Sheron Crane

2019 IIROC 14

Investment Industry Regulatory Organization of Canada
Hearing Panel (Ontario District)

Heard: April 30, 2019 in Toronto, Ontario
Decision: April 30, 2019
Written Decision: May 9, 2019

Hearing Panel:
Peter B. Hambly, Chair, Colleen Wright and Christopher Hill
Appearance:
Elissa Sinha, Enforcement Counsel
Natalia Vandervoort, for Sheron Crane
Sheron Crane, present

REASONS FOR DECISION FOR ACCEPTANCE OF A SETTLEMENT AGREEMENT

Introduction

¶ 1 Sheron Crane a.k.a Sheron Lau ("the Respondent"), has been registered in the securities industry since approximately May 2005. In January 2012, the Respondent became a Registered Representative with MGI Securities Inc. ("MG I"). When that firm was acquired by Industrial Alliance Securities Inc. ("IAS") in April 2014, the Respondent's employment and registration was transferred to IAS.

¶ 2 The Investment Industry Regulatory Organization of Canada ("IIROC") alleges that the Respondent contravened IIROC's Rules as follows:

1. Between October 2014 and November 2016, the Respondent made unsuitable recommendations to two clients regarding extensive use of margin and leveraged investing, contrary to Dealer Member Rule 1300.l(q).
2. Between October 2014 and November 2016, the Respondent used an email address to communicate with her clients contrary to her Dealer Member's policies and deleted client

communications, contrary to Dealer Member Rule 29.1 (prior to September 1, 2016) and Consolidated Rule 1402 (after September 1, 2016).

¶ 3 The Respondent has admitted the allegations. IIROC and the Respondent entered into a Settlement Agreement ("Agreement" or "Settlement Agreement").The sanctions proposed are the following:

1. fine of $65,000
2. suspension for 30 days commencing on the date the Settlement Agreement is accepted
3. six months of close supervision upon re-registration
4. successful completion of the Conduct Practices Handbook examination within 30 days of the Settlement Agreement being accepted
5. costs of $5,000
6. the above amounts to be paid within 30 days of the acceptance of the Settlement Agreement.

¶ 4 A hearing took place on April 30, 2019 to determine whether the Hearing Panel should accept the Agreement. After the hearing we announced that we would accept the Agreement with written reasons to follow. These are our reasons.

The Facts

¶ 5 A summary of the agreed facts, set out in the Settlement Agreement attached to this decision, is as follows.

CH

¶ 6 In October 2014, the Respondent met CH. CH was 64. In March 2015, she retired.

¶ 7 On October 29, 2014, CH signed a New Client Application Form ("NCAF") which stated that her investment knowledge was good. In fact, it was limited.

¶ 8 CH had total assets of approximately $1.175 million including her home. CH commuted her pension. In November 2014, the Respondent opened margin, RRSP, TFSA and LIF accounts for CH. In March 2015, CH deposited approximately $585,000 with the Respondent. Most of this money was the commuted value of her pension. The Respondent directed $490,000 to CH's LIF and the remainder to her margin account. CH borrowed money using her home as security. CH provided this money to the Respondent. The Respondent liquidated CH's investments and used the proceeds to purchase Deferred Sales Charge ("DSC") mutual funds.

¶ 9 Between May 2015 and May 2016, IAS made eight margin calls in CH's account. The Respondent addressed the margin calls by de-registering funds, which caused CH to incur tax and fees, and by selling DSC funds and incurring redemption fees.

¶ 10 In November 2016, CH closed her accounts with IAS. Her portfolio had a modest net gain of $1,000. Her unrealized net gains were less than the her borrowing costs on her line of credit and the amount owing on her margin debt.

RS

¶ 11 CH and RS are in a relationship. They maintain separate homes and finances. RS referred CH to the Respondent.

¶ 12 The Respondent met RS in October 2014. RS was 61. He retired in Februray 2015.

¶ 13 RS's assets consisted of a home worth approximately $230,000 subject to a mortgage, a small RRSP

and a pension. In April 2015, he commuted his pension which generated approximately $338,000. On November 10, 2014 when he signed a NCAF, his total net worth was approximately $625,000 including his pension. He had an income before retirement of $80,000. His objective in making investments was to generate income to allow him to pay living expenses after retirement. The NCAF stated that his investment knowledge was good. In fact, it was limited. The Respondent opened margin, RRSP, TFSA and LIF accounts for RS. The Respondent invested RS's money in DSC mutual funds.

¶ 14 RS and the Respondent discussed drawing further equity out of his home to invest. By email dated November 12, 2014, the Respondent recommended that RS draw the remaining equity out of his home for investment purposes on the basis that his returns would exceed his borrowing costs. She referred to a leveraged strategy as a "no brainer'' and minimized any risks associated with it. The Respondent did not explain in her email that she would invest RS's borrowed money on margin with additional interest costs.

¶ 15 In December 2014, RS borrowed on his remaining home equity and sent $100,000 to the Respondent, which she deposited to his margin account. The Respondent knew that the money was borrowed because she had discussed it with RS and because he had not yet received his pension. The Respondent fully extended the margin available to RS.

¶ 16 IAS made four margin calls in RS's account between September 2015 and May 2016. The Respondent addressed the margin calls by selling DSC funds and incurring redemption fees and by transferring over money from RS's TFSA.

¶ 17 In November 2016, RS closed his accounts with IAS. He had unrealized gains in his portfolio which were less than what he was required to pay to satisfy his margin debt.

Leveraged Investments and Undocumented Loans

¶ 18 The Respondent implemented a "double leverage" strategy for CH and RS. She had them borrow money against their houses which they gave to her to invest. She invested their money in margin accounts. They did not understand this. This strategy was not suitable for them given their limited investment knowledge and experience, actual risk tolerance and dependence on their funds.

¶ 19 When RS and CH opened their accounts with the Respondent, IAS's policies and procedures highly recommended that advisors document outside loans to facilitate supervision and to ensure that clients understood the risk associated with borrowing to invest. However, the Respondent minimized the risks to CH and RS and did not disclose the outside loans to IAS.

Outside Email Account and Deletion of Client Communications

¶ 20 IAS's policies and procedures specifically prohibited employees from using private email services to communicate with clients, unless they copied their IAS email address. The Respondent acknowledged in writing that she had received and reviewed IAS's policies and would comply with them.

¶ 21 However, from October 2014 to November 2016, the Respondent used a personal email address for communications with CH and RS without copying her IAS email address. Accordingly, IAS could not supervise, review or retain the Respondent's communications with her clients.

¶ 22 The Respondent used her personal email because of difficulties she was having remotely accessing her IAS account. The Respondent communicated her technical difficulties to IAS.

¶ 23 The Respondent deleted email messages from her personal email account based on age rather than content. She deleted the email communication of November 12, 2014 referred to above where she recommended that RS borrow to invest and accordingly did not provide it to her firm or disclose that she had

recommended outside leverage to her client. Staff obtained the email message from RS.

¶ 24 The Respondent's use of an outside email account and deletion of critical client communications, contrary to the firm policy, compromised IAS's ability to supervise her and investigate the complaints of CH and RS. This was not consistent with the Respondent's obligations to observe high standards of conduct.

Mitigating Factors

¶ 25 Over the relevant two-year period, the portfolios of CH and RS generated modest profits, net of borrowing costs and redemption fees.

¶ 26 The Respondent provided email communications with IAS regarding difficulties she was having remotely accessing her IAS email account.

¶ 27 RS asked the Respondent to purchase equities in companies he had heard about in the media, including a medical marijuana company, and withdrew significantly more than the $3,000 per month initially budgeted. The Respondent cautioned RS against risky investments and depleting his account.

¶ 28 The Respondent met and communicated regularly with CH and RS to review their account performance and discuss their investments and their plans.

¶ 29 The Respondent has no disciplinary history.

¶ 30 By entering this Settlement Agreement, the Respondent has accepted responsibility for her misconduct and avoided the need for a prolonged hearing on the merits.

Relevant IIROC Rules

¶ 31 **Rule 8215 Settlements and Settlement Hearings** of the IIROC Consolidated Enforcement, Examination and Approval Rules ("Consolidated Rules")

> (4) A settlement agreement may impose any obligations on a respondent to which the respondent agrees, whether or not they could be imposed by a hearing panel under this Rule.
>
> (5) After a settlement hearing, a hearing panel may accept or reject a settlement agreement.
>
> (6) A settlement agreement becomes effective and binding on the parties to it upon acceptance by a hearing panel.

¶ 32 Suitability Determination Required when Recommendation Provided

> **Rule 1300 Supervision of Accounts** of the IIROC Dealer Member Rules
>
> 1300.1 (q) Each Dealer Member, when recommending to a client the purchase, sale, exchange or holding of any security, shall use due diligence to ensure that the recommendation is suitable for such client based on factors including the client's current financial situation investment knowledge, investment objectives and time horizon, risk tolerance and the account or accounts' current investment portfolio composition and risk level.

¶ 33 **Rule 29.1 Business Conduct** of the IIROC Dealer Member Rules (in effect prior to September 1, 2016)

> Dealer Members and each partner, Director, Officer, Supervisor, Registered Representative, Investment Representative and employee of a Dealer Member (i) shall observe high standards of ethics and conduct in the transaction of their business, (ii) shall not engage in any business conduct or practice which is unbecoming or detrimental to the public interest, and (iii) shall be of such character and business repute and have such experience and training as is consistent with the standards described in clauses (i) and (ii) or as may be prescribed by the Board.

¶ 34 **Rule 1402 Standards of Conduct** of the Consolidated Rules (in effect after September 1, 2016)

(1) A Regulated Person

(i) in the transaction of business, must observe high standards of ethics and conduct and must act openly and fairly and in accordance with just and equitable principles of trade, and

(ii) must not engage in any business conduct that is unbecoming or detrimental to the public interest.

(2) Without limiting the generality of the foregoing, any business conduct that:

(i) is negligent;

(ii) fails to comply with a legal, regulatory, contractual, or other obligation, including the rules, requirements, and policies of a Regulated Person;

(iii) displays an unreasonable departure from standards that are expected to be observed by a Regulated Person; or

(iv) is likely to diminish investor confidence in the integrity of securities, commodities or derivatives markets

may be conduct that contravenes one or more of the standards set forth in subsection 1402(1).

Discussion

Role of a Hearing Panel in Deciding Whether to Accept a Settlement Agreement

¶ 35 In *Re Milewski*, [1999] I.D.A.C.D. No. 17, a District Council considered whether to accept a settlement agreement between a registered representative and the Investment Dealers Association, the forerunner of IIROC. The allegations were that a registered representative had sold investments to clients that were inappropriate given the clients' stated investment objectives. The penalty proposed was a substantial fine plus disgorgement of commissions. The District Council approved the settlement. It stated that the test to be applied to determine whether it should accept a settlement agreement was the following:

> Although a settlement agreement must be accepted by a District Council before it can become effective, the standards for acceptance are not identical to those applied by a DistrictCouncil when making a penalty determination after a contested hearing. In a contested hearing, the District Council attempts to determine the correct penalty. A District Council considering a settlement agreement will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearlyfalling outside a reasonable range of appropriateness. Put another way, the District Council will reflect the public interest benefits of the settlement process in its consideration of specific settlements.
>
> This understanding is reflected in paragraph 20.26 ofthe By-laws which authorizes the District Council to "accept", rather than approve, a settlement agreement. In each case a District Council must determine appropriateness, but the standards applicable to its doing so on a settlement hearing differ from those in a contested hearing. Thus, the penalties imposed under settlement agreements, while relevant to a District Council exercising its discretion to penalize, provide only limited assistance in a hearing like this one.

¶ 36 The law seems to be settled that the Milewski test should be applied by an IIROC panel in deciding whether to approve a settlement agreement rather than the test set out in R. v. Anthony Cook, [2016] 2 S.C.R.204 by the Supreme Court of Canada as to whether a court should accept a joint submission on sentence in a criminal case. (See Re Jacob 2017 IIROC17 at para. 19 and paras. 27-30 and Re M Partners and Isenberg 2018 IIROC 25 at para. 27).

¶ 37 In Re Donnelly 2016 IIROC 29, a hearing panel considered whether it should accept a settlement agreement on penalty resulting from allegations of a branch manager of a securities firm to supervise adequately a registered representative of the firm. It stated the following:

> The panel determined that it had to be satisfied regarding three considerations before it could accept the settlement agreement. First, the agreed penalties had to be within an acceptable range taking into account similar cases. Secondly, the agreed penalties had to be fair and reasonable (i.e. proportional to the seriousness of the contravention and taking into consideration other relevant circumstances) and should appear to be so to members of the public and industry. Thirdly, the agreed penalties should serve as a deterrent to the respondent and to industry. To be satisfied on these three considerations required an understanding of the particular facts of the case, the circumstances of the respondent, and the impact on him of the agreed penalties.

Whether the Penalty Proposed Meets the Test in *Re Donnelly*

Acceptable Range

¶ 38 In Re Dirani 2014 IIROC 09, a registrant with an IIROC dealer firm admitted the allegations of IIROC that he violated IIROC Rules by failing to use due diligence to ensure that his recommendations were suitable for his client contrary to Rule 1300.1(q) and that he engaged in undisclosed personal business with a client contrary to Rule 29.1. The hearing panel approved the proposed penalty of a fine of $40,000, strict supervision for 12 months, that the respondent re-write the Conduct and Practices Handbook, disgorgement of $3,100 and costs of $2,500.

¶ 39 In Re Jones 2014 IIROC 15, after a contested hearing the hearing panel found that the respondent had violated four IIROC Dealer Member Rules. She had engaged in discretionary trading for a client without first having the accounts approved, failed to ensure that the use of margin was suitable for a client, misrepresented the nature of a solicited order and used an email address in communicating with a client that was not approved by her firm. She was self-represented at the hearing. The penalty imposed by the hearing panel was a suspension for 3 months, a fine of $48,000, strict supervision for one year and costs of $15,000. In its reasons, the panel referred to 8 cases which it found to have imposed similar penalties for similar offences.

¶ 40 In the unreported case of MFD and Charles James White, a hearing panel approved a settlement agreement dated December 5, 2016. The respondent admitted that he failed to inform 4 clients of the risks of a leveraged investment strategy in 2007. This strategy was unsuitable for the clients given their low investment risk tolerance, limited investment knowledge, and inability to make the payments on their investment loans without using their own monies in the event the leveraged investment strategy did not perform as the respondent represented it would. They suffered substantial losses. The panel approved a settlement, which provided for a penalty that the respondent be suspended for 2 months, be prohibited permanently from engaging in leveraged activity with clients, pay a fine of $5,000 and costs of $5,000.

¶ 41 In Re Yasinowski 2018 IIROC 29 a registered representative admitted to allegations that for over 4 years between May, 2010 and October, 2014 he failed to inform himself of the essential facts relative to 5 vulnerable clients and that he recommended investments to these clients that were unsuitable for them. The clients suffered substantial losses. By way of mitigation, he voluntarily paid compensation to the clients and he

had no prior disciplinary record. The hearing panel approved a settlement that provided that the respondent be suspended for 6 months, be under close supervision for 18 months upon his return to the industry, pay a fine of $90,000 and costs of $10,000.

¶ 42 We are satisfied that the sanctions proposed are within an acceptable range given the penalties approved following a settlement agreement in cases with similar facts.

Sanctions are Fair and Reasonable and Provide a Deterrent

¶ 43 Recommending to vulnerable clients in their 60's who are retired or planning to retire soon that they invest their modest life savings including commuted pensions in investments using a "double leverage" which they do not understand constitutes a serious breach of IIROC Rules. This breach of the Rules was compounded by the failure of the Respondent to use a company e-mail server in communicating with her clients which made it impossible for the investment firm to properly supervise and investigate. There are some mitigating circumstances. A penalty which crippled the Respondent and made it impossible for her in a practical sense to remain in the industry would not be appropriate. The sanctions proposed are consistent with the IIROC Sanction Guidelines. We are satisfied that they are fair and reasonable and provide a deterrent.

Result

¶ 44 We approve the Settlement Agreement.

Dated at Toronto, Ontario this 9 day of May 2019.

Peter Hambly

Colleen Wright

Christopher Hill

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Investment Industry Regulatory Organization of Canada ("IIROC") will issue a Notice of Application 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 Sheron Crane a.k.a Sheron Lau ("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

Overview

4. The Respondent recommended and implemented extensive margin use for two clients who she knew had borrowed funds from lines of credit secured on their homes to invest with her. The double leverage was not suitable for the clients, having regard to their personal and financial circumstances. They were

retired seniors who were entirely dependent on their investments for income and did not understand the risks associated with the leverage recommended by the Respondent.

5. The Respondent used a personal email address to communicate with her clients due to technical difficulties, contrary to the policies of her Dealer Member. She deleted critical client communications and was unable to provide them to her firm when it investigated client complaints.

The Respondent

6. The Respondent, Sheron Crane a.k.a Sheron Lau, has been registered in the securities industry since approximately May 2005. In January 2012, the Respondent became a Registered Representative with MGI Securities Inc. ("MGI"). When that firm was acquired by Industrial Alliance Securities Inc. ("IAS") in April 2014, the Respondent's employment and registration was transferred to IAS.

CH

7. CH first met the Respondent in October 2014. At that time, CH was 64 years old and preparing to retire after a long career with a financial institution. CH's investment experience was limited to modest RRSP and TFSA accounts held with her employer in mutual funds. CH also held shares in her employer as part of an employee profit-sharing program.

8. CH discussed retirement with the Respondent. She had a mortgage on her home and was refinancing to pay for renovations. The Respondent told CH that her liquid assets, including her commuted pension, could generate an income of $4,000 per month.

9. CH was familiar with credit and borrowing and she asked the Respondent about borrowing against her house to invest. The Respondent explained that this would increase the investment funds available to generate income.

10. CH trusted the Respondent and relied on her advice throughout their relationship.

11. On October 29, 2014, CH signed a New Client Application Form ("NCAF") that reflected a total net worth of approximately $1.175 million, of which $875,000 was liquid, and an income of $85,000.

12. In the NCAF, CH's investment knowledge was designated as "Good" with a risk tolerance of 50% medium and 50% high, and objectives of 75% growth and 25% speculative. In fact, CH's investment experience was limited, however the Respondent believed that CH had "good" investment knowledge based on her other investments and her longstanding role in lending at a financial institution. The NCAF did not reflect that one of CH's main objectives was to generate income.

13. The Respondent incorrectly believed that a client who had previously held a mutual fund portfolio had "good" investment knowledge.

14. In November 2014, the Respondent opened margin, RRSP, TFSA and LIF accounts for CH. CH transferred her pre-existing RRSP and TFSA holdings to the Respondent along with the shares she held in her employer. The value of these assets was approximately $120,000. The Respondent liquidated the investments and purchased Deferred Sales Charge ("DSC") mutual funds.

15. CH retired in March 2015, however the Respondent did not update the NCAF. The Respondent updated CH's account profile in May 2016 but did not identify her changed employment.

16. In late February and early March 2015, CH transferred approximately $75,000 to IAS and advised the Respondent that those funds were borrowed against her home. The Respondent deposited the borrowed funds to CH's margin account.

17. Later in March 2015, CH also deposited approximately $585,000, most of which was the commuted value of her pension. The Respondent directed approximately $490,000 to CH's LIF and the remainder to her margin account.

18. The Respondent invested CH's money in DSC mutual funds. She fully extended the margin available to CH and maintained it at that level. CH did not understand that she was double-leveraged and did not understand that the negative numbers on her account statement reflected a margin loan.

19. Between May 2015 and May 2016, IAS made eight margin calls in CH's account. The Respondent addressed the margin calls by de-registering funds, which caused CH to incur tax and fees, and by selling DSC funds and incurring redemption fees.

20. In November 2016, CH closed her accounts with IAS. CH had unrealized losses in her margin and RRSP accounts of approximately ($15,000) and had paid interest of approximately $9,600 and redemption fees of approximately $5,200. CH had gains in her registered accounts and overall her portfolio experienced a modest net gain of approximately $1,000. These unrealized gains are less than CH's borrowing costs on her line of credit and do not account for the amounts CH was required to pay to IAS when she transferred out for margin debt.

RS

21. RS was referred to the Respondent by CH. CH and RS are in a relationship, but maintain separate homes and finances.

22. RS first met with the Respondent in October 2014. He was 61 years old and they discussed his plans to retire from a job in auto parts assembly. RS owned a home he believed was valued at approximately $230,000 that was subject to a mortgage. RS' only savings consisted of a small RRSP and he was entitled to a pension from his employer with a commuted value of approximately $338,000.

23. RS' objective was to generate income to allow him to pay his living expenses after retirement. The Respondent told him that his assets would be able to support monthly withdrawals of $3,000.

24. RS trusted the Respondent and relied on her advice throughout their relationship.

25. On November 10, 2014, RS signed an NCAF which indicated that RS had a total net worth of approximately $625,000, of which $500,000 was liquid, and an income of $80,000. The income was only accurate as long as RS continued working.

26. In the NCAF, RS' investment knowledge was designated as "Good" with a risk tolerance of 25% low, 50% medium and 25% high, and objectives of 25% safety, 50% growth, and 25% speculative. The Respondent believed that RS had "good" investment knowledge based on his discussions with her about speculative securities and his attendance at an investment seminar provided by his employer. In fact, RS had never held investments before other than his small RRSP and had limited investment experience. Further, RS' documented investment objectives did not include "income", although this was a significant reason for him to invest.

27. The Respondent opened margin, RRSP, TFSA and LIF accounts for RS.

28. RS and the Respondent discussed drawing further equity out of his home to invest. By email dated November 12, 2014, the Respondent recommended that RS draw the remaining equity out of his home for investment purposes on the basis that his returns would exceed his borrowing costs. She referred to a leveraged strategy as a "no brainer" and minimized any risks associated with it. The Respondent did not explain in her email that she would invest RS' borrowed money on margin with additional interest

costs.

29. In December 2014, RS borrowed his remaining home equity and sent $100,000 to the Respondent, which she deposited to his margin account. The Respondent knew that the money was borrowed because she had discussed it with RS and because he had not yet received his pension.

30. The Respondent deposited RS' $100,000 to his margin account and fully extended the margin available to purchase DSC mutual funds worth approximately $150,000 so that at the end of December 2014 RS' margin account held securities valued at $152,595 and a debit position of ($50,000).

31. RS retired in February 2015. In April 2015, the Respondent received the commuted value of his pension in the amount of $338,161.75. She did not update RS' NCAF to indicate that he was retired and had a reduced income.

32. The Respondent invested RS' money in DSC mutual funds. She fully extended the margin available to RS and maintained it at that level. RS did not understand that the money he had borrowed was double leveraged.

33. In addition to the pre-arranged monthly withdrawal of $3,000 per month, RS regularly withdrew additional funds. The Respondent cautioned him against depleting his portfolio.

34. IAS made four margin calls in RS' account between September 2015 and May 2016. The Respondent addressed the margin calls by selling DSC funds and incurring redemption fees and by transferring over money from RS' TFSA.

35. Further, in July 2016, the Respondent de-registered mutual fund units valued at approximately $6,300 from RS' RRSP and deposited them to his margin account in order to send RS his monthly withdrawal without over-extending margin. RS paid tax on the deregistered holdings and a fee to IAS.

36. In November 2016, RS closed his account with the Respondent. He had unrealized gains in his portfolio of approximately $20,000 and had paid margin interest of $6,800 and redemption fees of $3,500. RS also incurred interest costs on his line of credit. The unrealized gains do not account for the amounts RS was required to pay to IAS when he transferred out to satisfy his margin debt.

37. IAS never questioned the Respondent specifically about the suitability of her use of margin for CH and RS; she only received communications from the credit department when there were margin calls.

Unsuitable Leverage

38. The Respondent's extensive use of margin on funds that CH and RS borrowed from lines of credit secured on their homes (i.e. double leverage) was not suitable for them, having regard to their limited investment knowledge and experience, actual risk tolerance and dependence on their funds.

39. When RS and CH opened their accounts with the Respondent, IAS' policies and procedures highly recommended that advisors document outside loans on account documentation to facilitate supervision and ensure that clients understood the risk associated with borrowing to invest. However, the Respondent minimized the risks to CH and RS and did not disclose the outside loans to IAS.

Outside Email Account and Deletion of Client Communications

40. IAS's policies and procedures specifically prohibited employees from using private email services to communicate with clients, unless they copied their IAS email address. The Respondent acknowledged in writing that she had received and reviewed IAS' policies and would comply with them.

41. However, from October 2014 to November 2016, the Respondent used a personal email address for

communications with CH and RS without copying her IAS email address. Accordingly, IAS could not supervise, review or retain the Respondent's communications with her clients.

42. The Respondent used her personal email because of difficulties she was having remotely accessing her IAS account. The Respondent communicated her technical difficulties to IAS.

43. The Respondent deleted email messages from her personal email account based on age rather than content. She deleted the email communication of November 12, 2014 referred to above where she recommended that RS borrow to invest and accordingly did not provide it to her firm or disclose that she had recommended outside leverage to her client. Staff obtained the email message from RS.

44. The Respondent's use of an outside email account and deletion of critical client communications, contrary to firm policy, compromised IAS' ability to supervise her and investigate the complaints of CH and RS. This was not consistent with the Respondent's obligations to observe high standards of conduct.

Mitigating Factors

45. Over the relevant two-year period, the portfolios of CH and RS generated modest profits, net of borrowing costs and redemption fees.

46. The Respondent provided email communications with IAS regarding difficulties she was having remotely accessing her IAS email account.

47. RS asked the Respondent to purchase equities in companies he had heard about in the media, including a medical marijuana company, and withdrew significantly more than the $3,000 per month initially budgeted. The Respondent cautioned RS against risky investments and depleting his account.

48. The Respondent met and communicated regularly with CH and RS to review their account performance and discuss their investments and their plans.

49. The Respondent has no disciplinary history.

50. By entering this Settlement Agreement, the Respondent has accepted responsibility for her misconduct and avoided the need for a prolonged hearing on the merits.

PART IV – CONTRAVENTIONS

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

Contravention 1:

Between October 2014 and November 2016, the Respondent made unsuitable recommendations to two clients regarding extensive use of margin and leveraged investing, contrary to Dealer Member Rule 1300.1(q).

Contravention 2:

Between October 2014 and November 2016, the Respondent used an email address to communicate with her clients contrary to her Dealer Member's policies and deleted client communications, contrary to Dealer Member Rules 29.1 (prior to September 1, 2016) and Consolidated Rule 1402 (after September 1, 2016).

PART V – TERMS OF SETTLEMENT

52. The Respondent agrees to the following sanctions and costs:

    a) Fine of $65,000;

    b) Suspension of 30 days, commencing on the date the Settlement Agreement is accepted;

c) Six months of close supervision upon re-registration;

d) Successful completion of Conduct Practices Handbook examination within 30 days of the Settlement Agreement being accepted; and

e) Costs of $5,000

53. 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

54. 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.

55. 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

56. This Settlement Agreement is conditional on acceptance by the Hearing Panel.

57. 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.

58. 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.

59. 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.

60. 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.

61. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.

62. 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.

63. If this Settlement Agreement is accepted, the Respondent agrees that neither she nor anyone on her behalf, will make a public statement inconsistent with this Settlement Agreement.

64. 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

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

66. A fax or electronic copy of any signature will be treated as an original signature.

DATED this “10” day of “April”, 20“19”.

“Witness”	“Sheron Crane”
Witness	SHERON CRANE a.k.a. SHERON LAU
“Pat Gerada”	“Elissa Sinha”
Witness	Elissa Sinha Enforcement Counsel on behalf of Enforcement Staff of the Investment Industry Regulatory Organization of Canada

The Settlement Agreement is hereby accepted this “30” day of “April”, 20“19” by the following Hearing Panel:

Per: “Peter Hambly”
Panel Chair

Per: “Christopher Hill”
Panel Member

Per: “Colleen Wright”
Panel Member

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