

**IN THE MATTER OF:**

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

**AND**

**JIN LI**

**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 Jin Li (“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. Between January and October 2018, the Respondent engaged in discretionary trading in that he entered orders for six clients' fee-based accounts ("the Accounts") without obtaining the clients' confirmation regarding price, quantity and time of trade when the accounts were not designated as discretionary accounts.
5. In the case of some of the discretionary trades, the Respondent entered orders for Principal at Risk ("PAR") notes, securities that required pre-trade disclosure of the risks associated with such trading.

#### **Background**

6. The Respondent was a Registered Representative with TD Waterhouse Canada Inc. ("TDW") from July 2014 until October 29, 2018 when he resigned as a result of the firm's investigation into the conduct detailed herein.

#### **Respondent's Attestations to TDW**

7. In accordance with TDW's policies and procedures, the Respondent signed annual attestations, including in 2018, confirming his acknowledgement of the policies and procedures which read, in part:

Discretionary Trading: regulations prohibit trades where the Representative exercises discretion with respect to any element of

quantity, security, price, interest rate, or time. Representatives must obtain the specifics of price, quantity, security and timing of the order from the client.

### Discretionary Trading

8. Notwithstanding the Respondent's annual attestations, between January and October 2018, he engaged in discretionary trading for the following Accounts:

Client Accounts	Account Opened	Total Discretionary Trades in 2018	Discretionary Trades Requiring Disclosure of PAR Risks
EW	December 2014	1	n/a
FJF O	May to November 2015	26	n/a
KS	November 2014	10	2 of 10
LZ	June 2014	12	n/a
PR	June 2015	1	n/a
SWC	February 2015	2	2 of 2

9. Many of the clients listed above resided outside of Canada and in some cases the Respondent had difficulty communicating with them in a timely fashion. In some cases, they had family members that resided in Ontario with whom the Respondent would communicate about trading in the Accounts, however none of the family members had trading authority over the Accounts.

### Requirement for Pre-Trade Disclosure for Trading of PAR Notes

10. TDW's policies and procedures required the Respondent to disclose the risks associated with trading PAR notes prior to entering such orders, including that a client may lose substantially all of their initial investment when purchasing a PAR note and that they may be subject to redemption fees when selling a PAR note.

11. Notwithstanding the requirement for pre-trade disclosure, in the case of two of the Accounts (KS and SWC), the Respondent failed to make such disclosure and entered orders for PAR notes for these clients' accounts on a discretionary basis.
12. The redemption fees resulting from purchases and sales of the PAR notes for these two Accounts totaled approximately \$14,790.00.

### **Consequences of Discretionary Trading**

13. As a result of the Respondent's discretionary trading, the Accounts sustained approximate gains or losses as follows:

EW	\$1,656.00 gain
FJF O	\$ 1,280.00 loss
KS	\$30,875.00 gain
LZ	\$31,648.00 gain
PR	\$30.00 loss
SWC	\$12,000.00 loss (client was compensated by TDW for the full amount inclusive of redemption fee)

### **Commissions Earned**

14. Between January and October 2018, the Respondent earned net commissions of approximately \$1506.00 for trading in PAR notes for the Accounts.

### **Additional Factors**

15. The Respondent does not have a disciplinary history and has not been employed in the securities industry since October 2018.

#### **PART IV – CONTRAVENTIONS**

16. By engaging in the conduct described above, the Respondent committed the following contravention of IIROC Rules:

Between January and October 2018, the Respondent engaged in discretionary trading, contrary to Dealer Member Rule 1300.4.

#### **PART V – TERMS OF SETTLEMENT**

17. The Respondent agrees to the following sanctions and costs:
- a) Fine of \$15,000 inclusive of disgorgement;
  - b) Six months of close supervision upon approval in any capacity with IIROC; and
  - c) Costs of \$1500.
18. 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**

19. 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.

20. 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**

21. This Settlement Agreement is conditional on acceptance by the Hearing Panel.
22. 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.
23. 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.
24. 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.
25. 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.
26. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.

27. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and IIROC will post a full 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.
28. 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.
29. 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**

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

**DATED** this “24<sup>th</sup>” day of “April”, 2020.

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Witness

“Ben Fitzgerald”  
Ben Fitzgerald, Investigator

“Jin Li”  
Jin Li

“Natalija Popovic”  
Natalija Popovic

Enforcement Counsel on behalf of  
Enforcement Staff of the Investment  
Industry Regulatory Organization of  
Canada

The Settlement Agreement is hereby accepted this "4" day of "June", 2020 by the following Hearing Panel:

Per: "John Lorn McDougall"  
Panel Chair

Per: "William Donegan"  
Panel Member

Per: "Stuart Livingston"  
Panel Member