

**IN THE MATTER OF
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES
AND
THE DEALER MEMBER RULES
AND
FRANCESCO MAURO AKA FRANK MAURO**

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Corporationⁱ will issue a Notice of Application to announce a settlement hearing pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the “Investment Dealer Rules”) to consider whether a hearing panel should accept this Settlement Agreement between Enforcement Staff and Francesco Mauro (the “Respondent”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Enforcement 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. For some of his clients, the Respondent operated an options trading program which, among other things, involved writing uncovered put option contracts (“put option contracts”) for shares of blue-chip stocks (the “Options Trading Program”). The writing of put option contracts generally entails a high degree of risk.
5. In September 2017, RA opened investment accounts with the Respondent.
6. RA’s brother had told her that he was making money by participating in the Options Trading Program with the Respondent and he encouraged RA to participate. RA had no prior experience with options.
7. RA approached the Respondent about participating in the Options Trading Program and he agreed.
8. Between October 2017 and March 2020, in 16 instances RA wrote put option contracts. Most of the put option contracts were profitable. Overall, however, RA incurred significant losses.
9. The writing of put option contracts was not suitable for RA due to, among other things, her financial situation, investment objectives, time horizon, and risk level.

Registration History

10. The Respondent has worked in the securities industry since 1985.
11. From April 2017 to the present, the Respondent has worked as a Registered Representative (Options, Securities, Retail) at the West Vancouver, British Columbia

business location of Wellington-Altus Private Wealth Inc. (“Wellington-Altus”).

Client RA

12. RA was referred to the Respondent by her brother who was one of the Respondent’s clients.
13. RA owned and operated a leadership consulting business.
14. In September 2017, RA opened the following accounts at Wellington-Altus:
 - Canadian Dollar Margin/Options Account;
 - US Dollar Margin/Options Account;
 - Registered Retirement Savings Plan Account;
 - Locked-in Retirement Accounts; and
 - Tax-Free Savings Account (collectively, the “RA Accounts”).
15. At all material times, the Respondent was the Registered Representative who was responsible for the RA Accounts.
16. The New Client Application Form (the “NCAF”) that RA completed in September 2017 to open the RA Accounts included the following information:

Age When NCAF Signed	56 Years Old
Marital Status	Single
Estimated Net Liquid Assets	\$1,000,000
Estimated Net Fixed Assets	0
Annual Income	\$90,000
Investment Knowledge	Good
Purpose of the Account	Long Term Investing
Time Horizon	Over 20 years
Risk Tolerance	50% Medium 50% High
Asset Allocation	75% Equities 25% Alternative Investments

17. RA also completed an Options Account Application Document to open the Canadian Dollar Margin/Options Account and the US Dollar Margin/Options Account.
18. The completed Options Account Application Document, among other things, indicated that she:
- had no experience trading options;
 - had average knowledge of options; and
 - anticipated writing put option contracts and covered call contracts.
19. At or around the time the RA Accounts were opened, RA informed the Respondent that the funds that she was going to deposit comprised most of her savings, including the proceeds from the sale of her house and other property sold in the settlement of her divorce, but that she expected further funds from an inheritance.
20. RA also informed the Respondent that she planned on withdrawing some of the assets from the RA Accounts to use as a down payment on a home.

Deposits and Withdrawals from the RA Accounts

21. From the opening of the RA Accounts in September 2017 to March 2020, approximately \$1,073,172 CAD was deposited into the RA Accounts and approximately \$61,606 CAD and \$7,480 USD was withdrawn from the RA Accounts as follows:

Month	Activity	Amount
October 2017	Deposit	\$1,073,172 CAD
March 2018	Withdrawal	\$10,000 CAD
July 2018	Withdrawal	\$1,480 USD
November 2018	Withdrawal	\$5,000 CAD \$6,000 USD
March 2019	Withdrawal	\$12,000 CAD
August 2019	Withdrawal	\$12,000 CAD
September 2019	Withdrawal	\$3,803 CAD
December 2019	Withdrawal	\$3,803 CAD
January 2020	Withdrawal	\$15,000 CAD

The Respondent's Options Trading Program

22. The Respondent operated the Options Trading Program for some of his clients.
23. The Options Trading Program generally operated as follows:
- The Respondent recommended the writing of put option contracts for the shares of blue-chip companies like Apple Inc. ("Apple"), International Business Machines Corporation ("IBM"), and Tesla, Inc. ("Tesla").
 - At times the recommendation was communicated to clients by email.
 - If the client agreed to participate, the client would receive a premium

for writing the put option contracts.

- At expiration, if the market price of the underlying share was above the exercise price of the put, the put option contract would expire out of the money (i.e., worthless) and the client would retain the entire premium that was generated from writing the put option contract.
- Alternatively, if at expiration the price of the underlying share was less than the exercise price of the put option contract, the client would be obligated to purchase the shares at the exercise price, which was higher than the market price.
- Generally, if a client did not wish to retain the shares that the client was obligated to purchase, the Respondent would recommend that the client write a covered call contract to receive a premium and to sell the shares at a set price in the near future.
- At times the client would write the covered call contract to expire after the ex-dividend date so that the client would receive the dividends for the shares.

24. The writing of put option contracts generally entails a high degree of risk. Although the premium received by the writer is fixed, the writer may sustain a loss well in excess of that amount if the option is exercised, provided the writer chooses to sell the stock at a loss. The maximum potential loss would occur if the price of the underlying shares fell to zero.

RA's Participation in the Options Trading Program

25. RA's brother told her that he was making money by participating in the Options Trading Program and he encouraged her to participate.
26. RA approached the Respondent about participating in the Options Trading Program and

he agreed.

27. The Respondent explained the Options Trading Program to RA and she indicated that she understood.
28. As detailed in Schedule "A", between October 2017 and March 2020, in 16 instances RA wrote put option contracts for shares of Apple (11 instances), IBM (4 instances), and Tesla (1 instance).
29. RA would usually write 10 or 15 put option contracts at a time. Each put option contract was for 100 shares.

11 Put Options Expired Out of the Money

30. As detailed in Schedule "A", in 11 of the 16 instances that RA participated in the Options Trading Program, the put option contracts that RA wrote expired out of the money. Therefore, RA retained the approximately \$24,214 USD in premiums that she received from writing them.

5 Puts Options were Assigned

31. In 5 of the 16 instances that RA participated in the Options Trading Program, the put options were assigned because the price of the underlying share fell below the exercise price. As a result, usually RA purchased the shares with cash from the RA Accounts and by borrowing on margin.
32. As detailed in Schedule "B", the assignment of the put options resulted in the holdings in the RA Accounts being concentrated in the shares of one or two companies.

33. As set out below, in total RA lost approximately \$186,030 USD (not including margin interest) due to the put option contracts being assigned.

Assignment of Put Option #1

34. On February 1, 2018, RA wrote 10 put option contracts for the shares of Apple at an exercise price of \$160 USD.
35. On February 13, 2018, RA had to purchase on margin 1,000 shares of Apple at a cost of \$160,000 USD because the put option contracts were assigned.
36. On that same day, RA wrote covered call option contracts for the 1,000 shares of Apple.
37. Ultimately, on February 27, 2018, the 1,000 shares of Apple were sold.
38. As detailed in Schedule "A", RA made approximately \$5,446 USD on the writing of the put option contracts for the shares of Apple.

Assignment of Put Option #2

39. On September 27, 2018, RA wrote 15 put option contracts for the shares of IBM at an exercise price of \$145 USD.
40. On October 18, 2018, RA had to purchase on margin 1,500 shares of IBM at a cost of \$217,500 USD because the put option contracts were assigned.
41. Between October 18, 2018 and January 29, 2019, in two instances RA wrote covered call option contracts for the 1,500 shares of IBM and she earned dividends from owning the shares.

42. Ultimately, on January 29, 2019, RA sold the 1,500 shares of IBM.
43. As detailed in Schedule "A", RA lost approximately \$29,572 USD (not including margin costs) on the writing of the put option contracts for the shares of IBM.

Assignment of Put Option #3

44. On October 3, 2018, RA wrote 10 put option contracts for the shares of Apple at an exercise price of \$220 USD.
45. On October 29, 2018, RA had to purchase on margin 1,000 shares of Apple at a cost of \$220,000 USD because the put option contracts were assigned.
46. Between October 30, 2018 and January 29, 2019, in three instances RA wrote covered call option contracts for the 1,000 shares of Apple and she earned dividends from owning the shares.
47. Ultimately, on January 29, 2019, RA sold 1,000 shares of Apple.
48. As detailed in Schedule "A", RA lost approximately \$52,731 USD (not including margin costs) on the writing of the put option contracts for the shares of Apple.

Assignment of Put Option #4

49. On April 29, 2019, RA wrote 10 put option contracts for the shares of Apple at an exercise price of \$195 USD.
50. On May 24, 2019, RA had to purchase on margin 1,000 shares of Apple at a cost of \$195,000 USD because the put option contracts were assigned.

51. Between May 24, 2019 and August 20, 2019, in one instance RA wrote covered call option contracts for the 1,000 shares of Apple and she earned dividends from owning the shares.
52. Ultimately, on August 20, 2019, RA sold the 1,000 shares of Apple.
53. As detailed in Schedule "A", RA made approximately \$10,831 USD (not including margin costs) on the writing of the put option contracts for the shares of Apple.

Assignment of Put Option #5

54. By way of a March 4, 2020 email, the Respondent recommended the writing of put option contracts for the shares of Tesla. The email stated:

Dear Clients:

We continue to see volatility and significant options premiums due to the fear factor out there.

We are looking at the March 13 puts on Tesla at \$660 per share.

The stock is currently at \$750.

The stock would have to drop \$90 in the next 8 days for us to be put on it.

I am looking at selling these puts for \$17 - \$18 per contract.

The downside protection is \$90 + \$17 or \$107.

On 10 puts you make \$17,000 US\$ for 8 trading days if the Tesla stock closes above \$660 next Friday March 13th.

55. On March 5, 2020, RA wrote 5 put option contracts for the shares of Tesla at an exercise price of \$660 USD.

56. On March 17, 2020, RA had to purchase on margin 500 shares of Tesla at a cost of \$330,000 USD because the put option contracts were assigned. The shares of Tesla represented approximately 47% of RA's total estimated net worth.
57. As a result of the assignment there was a margin call of \$37,802 USD.
58. To settle the margin call, RA sold the 500 shares of Tesla at a significant loss, and she transferred shares and cash from her TFSA to her Canadian Dollar Margin/Options Account.
59. As detailed in Schedule "A", RA lost approximately \$120,004 USD (not including margin costs) on the writing of the put options for the shares of Tesla.

Overall Losses from the Options Trading Program

60. In total, RA lost approximately \$176,799 USD (including approximately \$14,983 in margin costs) from participating in the Options Trading Program.

Failure to Ensure Recommendations Were Suitable for Client RA

61. The writing of put options for the RA Accounts was not suitable for RA due to, among other things, her investment objectives, time horizon, and risk tolerance level.
62. Further, the writing of put options resulted in the RA accounts being concentrated in the shares of one or two securities.

RA Complaint to Wellington-Altus

63. In May 2020, RA submitted a complaint to Wellington-Altus regarding the writing of

the Tesla put options in March 2020.

Additional Facts

64. The Respondent personally paid an insurance deductible of \$49,240 to ensure that RA was fully compensated for the losses she sustained in relation to the writing of the Tesla puts.
65. The RA Accounts were fee-based accounts. Therefore, RA was not charged commissions for individual transactions and there was no additional benefit to the Respondent from RA's involvement in the Options Trading Program.
66. The Respondent has admitted his wrongdoing and accepted responsibility for his conduct.

PART IV – CONTRAVENTION

67. By engaging in the conduct described above, the Respondent committed the following contravention of Corporation requirements:

Between October 2017 and March 2020, the Respondent failed to use due diligence to ensure that his investment recommendations were suitable for his client RA, contrary to Dealer Member Rule 1300.1(q).

PART V – TERMS OF SETTLEMENT

68. The Respondent agrees to the following sanctions and costs:
- i. a fine in the amount of \$30,000; and
 - ii. costs in the amount of \$5,000.
69. 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 Enforcement Staff and the Respondent.

PART VI – STAFF COMMITMENT

70. If the hearing panel accepts this Settlement Agreement, Enforcement 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.
71. If the hearing panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

72. This Settlement Agreement is conditional on acceptance by the hearing panel.

73. This Settlement Agreement shall be presented to a hearing panel at a settlement hearing in accordance with sections 8215 and 8428 of the Investment Dealer Rules, in addition to any other procedures that may be agreed upon between the parties.
74. Enforcement Staff and the Respondent agree that this Settlement Agreement will form all 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.
75. If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules of the Corporation and any applicable legislation to any further hearing, appeal and review.
76. If the hearing panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.
77. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.
78. This Settlement Agreement will become available to the public upon its acceptance by the hearing panel and the Corporation will post a copy of this Settlement Agreement on the Corporation website. The Corporation will publish a notice and news release of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement and the hearing panel's written reasons for its decision to accept this Settlement Agreement.

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

80. This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the hearing panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

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

82. An electronic copy of any signature will be treated as an original signature.

DATED this 15 day of May, 2023.

“Witness”
Witness

“Francesco Mauro”
Respondent

DATED this 24th of May, 2023.

“Witness”
Witness

“Lorne Herlin”
Lorne Herlin
Senior Enforcement Counsel
on behalf of
Enforcement Staff of the
Corporation

The Settlement Agreement is hereby accepted this 20 day of June, 2023 by the following Hearing panel:

Per: "Susan E. Ross"
Chair

Per: "Lloyd Costley"
Industry Member

Per: "Richard Thomas"
Industry Member

January 29, 2019	Sold	Covered Call Assigned Apple Expiration Date: January 25, 2019 Exercise Price: \$155.00	10 contracts/ 1,000 shares	\$155.00	\$154,997.98
					Total Net Loss: (\$52,731.69)

Schedule "A"
Put Option Contracts (cont.)

Settlement Date	Activity	Description	Quantity	Price Per Share	Net Amount
January 25, 2019	Sold	Put IBM Expiration Date: February 15, 2019 Exercise Price: \$126.00	15 contracts/ 1,500 shares	\$1.02	\$1,529.98
February 19, 2019	Expired	Put IBM Expiration Date: February 15, 2019 Exercise Price: \$126.00	15 contracts/ 1,500 shares		
					Total Net Profit: \$1,529.98

Settlement Date	Activity	Description	Quantity	Price Per Share	Net Amount
January 28, 2019	Sold	Put Apple Expiration Date: February 15, 2019 Exercise Price: \$155.00	10 contracts/ 1,000 shares	\$4.00	\$3,999.94
February 19, 2019	Expired	Put Apple Expiration Date: February 15, 2019 Exercise Price: \$155.00	10 contracts/ 1,000 shares		
					Total Net Profit: \$3,999.94

Schedule "A"
Put Option Contracts (cont.)

Settlement Date	Activity	Description	Quantity	Price Per Share	Net Amount
February 22, 2019	Sold	Put Apple Expiration Date: March 15, 2019 Exercise Price: \$165.00	10 contracts/ 1,000 shares	\$1.34	\$1,339.98
March 18, 2019	Expired	Put Apple Expiration Date: March 15, 2019 Exercise Price: \$165.00	10 contracts/ 1,000 shares		
					Total Net Profit: \$1,339.98

Settlement Date	Activity	Description	Quantity	Price Per Share	Net Amount
February 22, 2019	Sold	Put IBM Expiration Date: March 15, 2019 Exercise Price: \$135.00	15 contracts/ 1,500 shares	\$1.10	\$1,099.98
March 18, 2019	Expired	Put IBM Expiration Date: March 15, 2019 Exercise Price: \$135.00	15 contracts/ 1,500 shares		
					Total Net Profit: \$1,099.98

Schedule "A"
Put Option Contracts (cont.)

Settlement Date	Activity	Description	Quantity	Price Per Share	Net Amount
April 29, 2019	Sold	Put Apple Expiration Date: May 24, 2019 Exercise Price: \$195.00	10 contracts/ 1,000 shares	\$3.00	\$2,999.93
May 24, 2019	Bought	Put Assigned Apple Expiration Date: May 24, 2019 Exercise Price: \$195.00	1,000 shares	\$195.00	(\$195,000.00)
June 5, 2019	Sold	Covered Call Apple Expiration Date: August 16, 2019 Exercise Price: \$200.00	10 contracts/ 1,000 shares	\$2.18	\$2,179.95
August 15, 2019	Dividend	Apple	1,000 shares		\$654.50
August 20, 2019	Sold	Covered Call Assigned Apple Expiration Date: August 16, 2019 Exercise Price: \$200.00	1,000 shares	\$200.00	\$199,997.40
					Total Net Profit: \$10,831.78

Schedule "A"
Put Option Contracts (cont.)

Settlement Date	Activity	Description	Quantity	Price Per Share	Net Amount
August 19, 2019	Sold	Put Apple Expiration Date: August 30, 2019 Exercise Price: \$195.00	10 contracts/ 1,000 shares	\$1.35	\$1,349.97
September 3, 2019	Expired	Put Apple Expiration Date: August 30, 2019 Exercise Price: \$195.00	10 contracts/ 1,000 shares		
					Total Net Profit: \$1,349.97

