

# Re Mauro

IN THE MATTER OF:

**The Investment Dealer and Partially Consolidated Rules**

**and**

**Francesco Mauro (a.k.a. Frank Mauro)**

2023 CIRO 11

Canadian Investment Regulatory Organization  
Hearing Panel (Pacific District)

Heard: June 20, 2023, in Vancouver, British Columbia (via videoconference)

Decision: June 20, 2023

Reasons for Decision: August 2, 2023

**Hearing Panel:**

Susan E. Ross, Chair, Lloyd Costley and Richard Thomas

**Appearances:**

Lorne Herlin, Senior Enforcement Counsel

Ellen Bessner and Zachary Pringle, for Francesco Mauro

Francesco Mauro (present)

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## DECISION ON ACCEPTANCE OF SETTLEMENT AGREEMENT

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### INTRODUCTION

¶ 1 On June 20, 2023, this Hearing Panel held a settlement hearing to consider whether to accept a settlement agreement dated May 24, 2023, between Enforcement Staff of the New Self-Regulatory Organization of Canada, now called the Canadian Investment Regulatory Organization, and the Respondent Francesco Mauro (“Settlement Agreement”).

¶ 2 The Settlement Agreement was reached, and the hearing conducted pursuant to sections 8215 (Settlements and Settlement Hearings) and 8428 (Settlement Hearings) of the Investment Dealer and Partially Consolidated Rules (“IDPC Rules”).

¶ 3 In the Settlement Agreement, the Respondent admitted that he involved a client in a high-risk options trading program over a 26-month period that was not suitable for her financial circumstances, investment objectives, time horizon, or risk tolerance.

¶ 4 The sanction and costs agreed to in the Settlement Agreement are:

- (a) a fine in the amount of \$30,000; and
- (b) costs in the amount of \$5,000.

¶ 5 At the conclusion of the hearing, we accepted the Settlement Agreement with reasons to follow. These are our reasons for decision.

### AGREED FACTS

¶ 6 The agreed facts are set out in full in Part III of the attached Settlement Agreement.

¶ 7 The Respondent has worked in the securities industry since 1985. Since 2017, he has worked as a Registered Representative (Options, Securities, Retail) at the West Vancouver, British Columbia, business location of Wellington-Altus Wealth Inc. (“Member”).

¶ 8 RA was a single, 56-year-old owner of a leadership consulting business. She was referred to the Respondent by her brother. He was participating in the Respondent’s options trading program, which entailed the writing of uncovered put option contracts, and encouraged RA to participate as well. In September 2017, RA opened fee-based investment accounts with the Respondent who, at RA’s suggestion, agreed to her participation in his options trading program.

¶ 9 RA deposited approximately \$1,000,000 with the Respondent. Her account opening documentation disclosed net liquid assets of \$1,000,000, zero net fixed assets, annual income of \$90,000, good investment knowledge, the purpose of long-term investing over 20 years, 50% medium and 50% high risk tolerance, and asset allocation of 75% equities and 25% alternative investments. It also indicated that she had no experience trading options, had average knowledge of options, and anticipated writing put option contracts and covered call contracts.

¶ 10 RA informed the Respondent that the funds she deposited comprised most of her savings, including proceeds from the sale of her house and other property in a divorce settlement, she expected further funds from an inheritance, and planned to withdraw some assets from her accounts for a down payment on a home.

¶ 11 On the Respondent’s recommendations, RA wrote 16 put option contracts between October 2017 and March 2020 in shares of Apple Inc., International Business Machines Corporation, and Tesla Inc.

¶ 12 Most of the contracts were profitable. Overall, however, RA’s participation in the options trading program resulted in significant losses totalling \$176,799 USD. Of those losses, \$120,004 USD were attributable to writing uncovered put options in the shares of Tesla Inc.

¶ 13 In May 2020, RA complained to the Member regarding her losses in the Tesla Inc. transactions. The Respondent paid a \$49,240 insurance deductible to ensure her full compensation for those losses.

¶ 14 Counsel for the Respondent introduced the following additional facts, with the consent of Enforcement Counsel as permitted by IDPC Rule 8428(6). After receiving RA’s complaint in May 2020, the Member reviewed the appropriateness of the Respondent’s level 4 (uncovered) options accounts and identified no other client suitability concerns. He was placed under close supervision and remains so, is not permitted to open options accounts without pre-approval from the compliance group and conducts options trading (limited to 10% of the client portfolio) for only four high net worth clients.

¶ 15 The relevant standard of conduct required of the Respondent is found in Dealer Member Rule 1300.1(q) which states that:

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.<sup>1</sup>

¶ 16 Although the Settlement Agreement describes Apple Inc., International Business Machines Corporation, and Tesla Inc. as “blue chip” companies, the writing of put option contracts generally involves a high degree of risk.

¶ 17 The Respondent agreed that he failed to exercise due diligence under Dealer Member Rule 1300.1(q) by recommending put option contracts to RA. The investment strategy was not suitable due to considerations including

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<sup>1</sup> The Dealer Member Rules were repealed and replaced by the Consolidated Enforcement, Examination and Approval Rules, and Continuing Education Rules on December 31, 2021, which became part of the Interim Rules on December 31, 2022, when the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada were consolidated into the single self-regulatory organization, the Canadian Investment Regulatory Organization.

RA's financial situation, investment objectives, time horizon, and risk level. It also resulted in increased risk from overconcentration of her accounts in one or two securities.

## ANALYSIS

### Role of the Hearing Panel

¶ 18 A hearing panel may accept or reject a settlement agreement, after a settlement hearing (IDPC Rule 8215(5)). We have no authority to modify the Settlement Agreement or to consider facts outside the Settlement Agreement without the consent of the parties (IDPC Rule 8428(6)). Our role is to decide whether the proposed sanctions fall within a reasonable range of appropriateness, not whether we would have imposed the same sanctions as those negotiated by the parties in a settlement agreement. Enforcement Counsel referred us to several hearing panel decisions explaining the principles that guide our role all of which stem from *Re Milewski*, [1999] IDACD No. 17, where the hearing panel stated that:

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 District Council 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 clearly falling 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.

¶ 19 In exercising our role, we considered the facts in the Settlement Agreement, the additional agreed facts, the Sanction Guidelines, the parties' submissions, and comparable settlement decisions provided to us by Enforcement Counsel.

### SANCTION CONSIDERATIONS

¶ 20 The sanction and costs agreed to in the Settlement Agreement are:

- (a) a fine in the amount of \$30,000; and
- (b) costs in the amount of \$5,000.

¶ 21 Enforcement Counsel addressed relevant considerations in the Sanction Guidelines and referred us to several settlement decisions involving the recommendation of high-risk trades to clients for whom they were not suitable: *Re Martel* 2020 IIROC 30, *Re Dion* 2017 IIROC 20, *Re Mannings* 2015 IIROC 22, and *Re Kelly* 2015 IIROC 08. Counsel for the Respondent added further agreed facts consented to by Enforcement Counsel.

¶ 22 The Sanction Guidelines outline principles and a list of factors that are commonly relevant in imposing sanctions. The sanction should be significant enough to prevent and discourage future misconduct by the respondent and to deter others from engaging in similar misconduct. An appropriate balance should be struck between the respondent's specific misconduct and industry expectations of an appropriate sanction for such misconduct. The sanction should be proportionate to the respondent's misconduct, similar to sanctions imposed for similar contraventions in similar circumstances, and adjusted for relevant mitigating and aggravating factors.

¶ 23 The reasonable range of sanctions depends on the facts of a particular case and circumstances of the misconduct. Several sanction factors are relevant in this case.

¶ 24 As a general mitigating factor, the Respondent agreed to settle this matter before the issuance of a statement of allegations thereby reducing the resources devoted to its prosecution and leading to a more expeditious resolution.

¶ 25 The misconduct involved just one client, and the Member's review of the Respondent's options accounts revealed no other client suitability concerns.

¶ 26 A significant number of transactions (16 uncovered put options) occurred intermittently over an extended

period (26 months). Enforcement Counsel submitted that the misconduct was serious, but it was negligent as opposed to intentional, willfully blind, or reckless. In our view, the misconduct was serious and highly negligent having regard to RA's circumstances, the obvious high risk of options trading, the market volatility of the shares for which RA wrote contracts, and the Respondent's long experience in the industry.

¶ 27 In terms of harm to the client, RA suffered significant losses and when uncovered puts were assigned, the holdings in her account were overconcentrated in one or two companies.

¶ 28 In 2010, the Respondent entered into a settlement agreement where he admitted failing to fully and properly supervise a subordinate's execution of trades on behalf of a client, over a five-week period, that reasonably could have been expected to create an artificial price for a security. The Sanction Guidelines consider a prior disciplinary record to be an aggravating factor that may warrant a more severe sanction for a subsequent contravention and suggest the following approach to assessing the relevance of prior discipline:

A prior disciplinary record for a similar or identical contravention strongly suggests that the prior sanction was not a sufficient deterrent, thereby necessitating an increased sanction or order to address specific deterrence. However, a prior record where the misconduct is different may nonetheless be a factor to consider and it may demonstrate a respondent's general disregard for compliance with regulatory requirements, the investing public or market integrity in general. A prior disciplinary record generally becomes less relevant as it becomes more dated.

¶ 29 Enforcement Counsel submitted that the Respondent's prior sanction warrants little weight as an aggravating factor because it is dated, and the type of misconduct was different. However, having regard to the seriousness and obviousness of the Respondent's misconduct in the current case, we consider the prior record to suggest an element of general disregard for compliance with regulatory requirements.

¶ 30 RA's accounts were fee-based, the Respondent gained no commissions from the misconduct, and he contributed to RA's full restitution for losses from the Tesla Inc. transactions.

¶ 31 The other additional agreed facts about the Member's actions have an impact on the Respondent and protect the investing public, but in our view, they are more relevant to regulatory compliance by the Member than as mitigating internal discipline of the Respondent.

¶ 32 Turning to the settlement decisions provided by Enforcement Counsel, in *Re Martel*, the respondent recommended an uncovered put options strategy over a 54-month period to two clients who incurred substantial losses. The respondent paid a \$12,500 fine and \$2,500 costs. He also underwent internal discipline in the form of a \$15,000 charitable donation, prohibition against options trading for any client, heightened supervision, and rewriting of the Conduct and Practices Handbook course.

¶ 33 In *Re Dion* and *Re Mannings*, the respondents recommended investment strategies that led to overconcentration of high risk, high volatility gold and precious metal securities, and substantial losses in client accounts. *Re Dion* involved a single client, the unsuitable investment strategy was conducted over a 32-month period, the respondent paid a \$25,000 fine and rewrote the Conduct and Practices Handbook examination. *Re Mannings* involved three clients, the unsuitable investment strategy was conducted over a 17-month period, and the respondent paid a \$35,000 fine.

¶ 34 In *Re Kelly*, a retired client with minimal to no investment experience placed all her assets in an account with "Balanced" investment objectives. The respondent invested the account entirely in equity mutual funds with no allocation for fixed income. The firm's compliance group suggested the reduction of equity in the account. Instead, the respondent facilitated an update of the client's investment objectives to "Growth" and left the equity in the account unchanged. When the client incurred substantially lower market value and distributions from her account over a 42-month period, the respondent recommended the sale of the mutual funds and purchase of units in income trusts which resulted in increased risk from overconcentration in three securities. The respondent, who had a previous disciplinary history involving the acceptance of instructions from undisclosed third parties, paid a \$10,000 fine plus full restitution for the loss of value of the client's holdings, and underwent six months of close supervision.

¶ 35 Although the \$30,000 proposed fine in the Settlement Agreement is at the high end of the comparable settlement decisions provided to us, we consider it to be at the low end for this case because of the Respondent's long experience in the industry and the obvious high and unsuitable risk of the naked put writing options trading program recommended to RA. The risks of a naked put writing strategy are well understood in the investment industry, and it is not an appropriate strategy for clients that do not have a full understanding of those risks.

¶ 36 We recognize that all relevant considerations must be weighed. These include the Respondent's early agreement to acknowledge and settle the matter, respect for compromise in a negotiated settlement, the Respondent's financial contribution towards significant restitution of the client's losses, and the fact that he earned no commissions from the transactions. We therefore concluded that the sanction proposed in the Settlement Agreement is within a reasonable range of appropriateness and approved the settlement.

## **CONCLUSION**

¶ 37 We approved the Settlement Agreement on June 20, 2023, the date of the settlement hearing.

¶ 38 In accordance with the terms of the Settlement Agreement, the agreed sanction and costs are payable within 30 days of our acceptance of the Settlement Agreement unless otherwise agreed to by Enforcement Staff and the Respondent.

Dated at Vancouver, British Columbia this 2 day of August 2023.

Susan E. Ross, Chair

Lloyd Costley

Richard Thomas

## **SETTLEMENT AGREEMENT**

### **PART I – INTRODUCTION**

1. The Corporation<sup>i</sup> 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 24<sup>th</sup> 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

**Put Option Contracts**

Settlement Date	Activity	Description	Quantity	Price Per Share	Amount
October 24, 2017	Sold	Put Apple Expiration Date: November 17, 2017 Exercise Price: \$150	10 contracts/ 1,000 shares	\$1.60	\$1,599.96
November 20, 2017	Expired	Put Apple Expiration Date: November 17, 2017 Exercise Price: \$150	10 contracts/ 1,000 shares		
					<b>Total Net Profit: \$1,599.96</b>

Settlement Date	Activity	Description	Quantity	Price Per Share	Amount
February 1, 2018	Sold	Put Apple Expiration Date: February 9, 2018 Exercise Price: \$160	10 contracts/ 1,000 shares	\$2.15	\$2,149.95
February 13, 2018	Bought	Put Assigned Apple	1,000 shares	\$160	(\$160,000)
February 13, 2018	Sold	Covered Call Apple Expiration Date: February 23, 2018 Exercise Price: \$160	10 contracts/ 1,000 shares	\$3.30	\$3,299.92
February 27, 2018	Sold	Covered Call Assigned Apple	1,000 shares	\$160	\$159,996.30
					<b>Total Net Profit: \$5,446.17</b>

**Put Options Contracts (cont.)**

Settlement Date	Activity	Description	Quantity	Price Per Share	Amount

July 6, 2018	Sold	Uncovered Put Apple Expiration Date: July 20, 2018 Exercise Price: \$180.00	15 contracts/ 1,500 shares	\$1.07	\$1,604.97
July 20, 2018	Expired	Put Apple Expiration Date: July 20, 2018 Exercise Price: \$180.00	15 contracts/ 1,500 shares		
					<b>Total Net Profit: \$1,604.97</b>

Settlement Date	Activity	Description	Quantity	Price Per Share	Amount
September 27, 2018	Sold	Put IBM Expiration Date: October 19, 2018 Exercise Price: \$145.00	15 contracts/ 1,500 shares	\$1.17	\$1,754.97
October 18, 2018	Bought	Put Assigned IBM Expiration Date: October 19, 2018 Exercise Price: \$145.00	1,500 shares	\$145.00	(\$217,500)
November 8, 2018	Sold	Covered Call IBM Expiration Date: December 21, 2018 Exercise Price: \$135.00	15 contracts/ 1,500 shares	\$0.56	\$839.98
December 10, 2018	Dividend	IBM	1,500 shares		\$2,064.47
December 24, 2018	Expired	Covered Call IBM Expiration Date: December 21, 2018 Exercise Price: \$135.00	10 contracts/ 1,000 shares		
January 7, 2019	Sold	Covered Call IBM Expiration Date: January 25, 2019 Exercise Price: \$120.00	15 contracts/ 1,500 shares	\$2.18	\$3,269.95

January 29, 2019	Sold	Covered Call Assigned IBM Expiration Date: January 25, 2019 Exercise Price: \$120.00	1,500 shares	\$120.00	\$179,997.66
					<b>Total Net Loss: (\$29,572.97)</b>

Settlement Date	Activity	Description	Quantity	Price Per Share	Amount
October 3, 2018	Sold	Put Apple Expiration Date: October 26, 2018 Exercise Price: \$220	10 contracts/ 1,000 shares	\$1.70	\$1,699.97
October 30, 2018	Bought	Put Assigned Apple Expiration Date: October 26, 2018 Exercise Price: \$220	1,000	\$220.00	(\$220,000)
October 30, 2018	Sold	Covered Call Apple Expiration Date: November 16, 2018 Exercise Price: \$222.50	10 contracts/ 1,000 shares	\$6.00	\$5,999.92
November 15, 2018	Dividend	Apple	1,000 shares		\$620.50
November 19, 2018	Expired	Covered Call Apple Expiration Date: November 16, 2018 Exercise Price: \$222.50	10 contracts/ 1,000 shares		
November 29, 2018	Sold	Covered Call Apple Expiration Date: December 21, 2018 Exercise Price: \$185.00	10 contracts/ 1,000 shares	\$2.20	\$2,199.97
December 24, 2018	Expired	Covered Call Apple Expiration Date: December 21, 2018 Exercise Price: \$185.00	10 contracts/ 1,000 shares		

January 7, 2019	Sold	Covered Call Apple Expiration Date: January 25, 2019 Exercise Price: \$155.00	10 contracts/ 1,000 shares	\$1.75	\$1,749.97
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
					<b>Total Net Loss: (\$52,731.69)</b>

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		
					<b>Total Net Profit: \$1,529.98</b>

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		



					<b>Total Net Profit:</b> <b>\$3,999.94</b>
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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		
					<b>Total Net Profit:</b> <b>\$1,339.98</b>

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		
					<b>Total Net Profit:</b> <b>\$1,099.98</b>

Settlement Date	Activity	Description	Quantity	Price Per Share	Net Amount

March 20, 2019	Sold	Put Apple Expiration Date: April 18, 2019 Exercise Price: \$180.00	10 contracts/ 1,000 shares	\$2.07	\$2,069.97
April 22, 2019	Expired	Put Apple Expiration Date: April 18, 2019 Exercise Price: \$180.00	10 contracts/ 1,000 shares		
					<b>Total Net Profit: \$2,069.97</b>

Settlement Date	Activity	Description	Quantity	Price Per Share	Net Amount
March 20, 2019	Sold	Put IBM Expiration Date: April 18, 2019 Exercise Price: \$136.00	10 contracts/ 1,000 shares	\$2.37	\$2,369.96
April 22, 2019	Expired	Put IBM Expiration Date: April 18, 2019 Exercise Price: \$136.00	10 contracts/ 1,000 shares		
					<b>Total Net Profit: \$2,369.96</b>

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
					<b>Total Net Profit: \$10,831.78</b>

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		
					<b>Total Net Profit: \$1,349.97</b>

Settlement Date	Activity	Description	Quantity	Price Per Share	Net Amount
September 23, 2019	Sold	Put Apple Expiration Date: October 18, 2019 Exercise Price: \$210.00	10 contracts/ 1,000 shares	\$2.69	\$2,689.94

October 21, 2019	Expired	Put Apple Expiration Date: October 18, 2019 Exercise Price: \$210.00			
					<b>Total Net Profit: \$2,689.94</b>

Settlement Date	Activity	Description	Quantity	Price Per Share	Net Amount
October 30, 2019	Sold	Put Apple Expiration Date: November 15, 2019 Exercise Price: \$235.00	12 contracts/ 1,200 shares	\$3.80	\$4,559.90
November 18, 2019	Expired	Put Apple Expiration Date: November 15, 2019 Exercise Price: \$235.00	12 contracts/ 1,200 shares		
					<b>Total Net Profit: \$4,559.90</b>

Settlement Date	Activity	Description	Quantity	Price Per Share	Net Amount
March 5, 2020	Sold	Put Tesla Expiration Date: March 13, 2020 Exercise Price: \$660.00	5 contracts/ 500 shares	\$17.00	\$8,499.81
March 17, 2020	Bought	Put Assigned Tesla Expiration Date: March 13, 2020 Exercise Price: \$660.00	500 Shares	\$660.00	(\$330,000)
March 19, 2020	Sold	Tesla	500 shares	\$403.00	\$201,495.54
					<b>Total Net Loss: (\$120,004.65)</b>

<b>Date</b>	<b>Security</b>	<b>% of Portfolio</b>
October 2018	Apple	19.8%
October 2018	IBM	16.2%
November 2018	Apple	16.9%
November 2018	IBM	18.2%
December 2018	Apple	16.5%
December 2018	IBM	18.3%
May 2019	Apple	20.1%
June 2019	Apple	21.1%
July 2019	Apple	22.6%

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<sup>i</sup> On January 1, 2023, IIROC and the MFDA were consolidated into a single self-regulatory organization recognized under applicable securities legislation. The New Self-Regulatory Organization of Canada (the “Corporation”) has 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 the rules and certain by-laws and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the rules and by-laws 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 Rule