

IN THE MATTER OF:

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

AND

SCOTT ANDREW HANSON

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 Scott Andrew Hanson (“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 engaged in discretionary trading in the accounts of a husband and wife. The majority of the trades took place while the couple were away for a month long overseas vacation in February 2020.
5. Between 2015 and 2018, the Respondent engaged in an outside business activity (“OBA”), namely as a member of an investment club, where he would at times make investment presentations to the other club members. The Respondent did not disclose the OBA to his Dealer Member.
6. In 2016, the Respondent opened client accounts for two individuals who were also members of the investment club and did not disclose, consider or address the potential material conflicts of interest that arose as a result.

Background

7. The Respondent was a Registered Representative (“RR”) with CIBC World Markets Inc. (“CIBC”) from 2003 until August 2020 when his employment was terminated as a result of the matters detailed herein. He is currently not employed with a Dealer Member.

Discretionary Trading

8. The Respondent opened accounts for his clients MM & AM in December 2019 and had several discussions with them regarding a trading strategy for their accounts. The discussions included a review of securities that the Respondent recommended for them.
9. After several such discussions, the Respondent began entering trades in their accounts on or about January 30, 2020. The clients left on a month long overseas vacation on February 3, 2020 during which time they were available via email.
10. The Respondent did not contact MM & AM while they were on vacation and entered several trades on a discretionary basis in their accounts from January 31 to February 14, 2020.
11. By letter dated August 31, 2020 MM & AM submitted a complaint to CIBC about trading losses and alleging, among other things, that the Respondent had entered discretionary trades while they were on vacation in February 2020. Following an internal review, CIBC settled the complaint of MM & AM and compensated them \$190,000.
12. The Respondent earned commissions of approximately \$1,111.00 as a result of engaging in discretionary trading in the accounts of MM & AM.
13. In addition to his clients MM & AM, the Respondent has admitted to engaging in discretionary trading in the accounts of four other client households. None of these clients complained to CIBC or IIROC.

Outside Business Activity

14. The Respondent was involved in an investment club between 2015 and 2018.

15. The purpose of the club was to educate its members about basic principles of investing and invest in securities. The particulars of the club and the Respondent's involvement are:

- (i) The club consisted of 9 to 12 members at any one time, and no member of the club was to hold more than 20%;
- (ii) Each member would contribute \$500 on admission to the club, this contribution would be used to purchase securities as collectively voted on by the club;
- (iii) Subsequently, each member would contribute \$60 at the club's monthly meetings, and at times members could make additional contributions;
- (iv) The Respondent did not attend every monthly meeting;
- (v) The Respondent was a member of the club from 1995-2012 and then again from 2015 to 2018;
- (vi) The Respondent was the club president from 1995 to 2008; and
- (vii) The Respondent did not have trading authority for the club's investment account during his tenure at CIBC, the authority was held by other club members.

16. The monthly meetings of the investment club members reflected the following:

- (i) The members would research and discuss stocks;
- (ii) One member would often make a presentation to the other members;
- (iii) The Respondent regularly, although not always, made recommendations to the group with respect to the investment decisions the group should make;
- (iv) He was among the top three members with respect to presentations;
- (v) When he presented he used CIBC research, among other research, for his presentations;
- (vi) When the investment club had cash available or when a stock was sold the members would collectively make buy decisions;
- (vii) The Respondent understood that other members relied on his opinion because of his influence as an advisor; and

- (viii) Most of the investment club's holdings were large multi-national Canadian companies, and none was a small cap stock.
- 17. The investment account for the club was not held at CIBC during the Respondent's tenure at the firm. In July 2018, the investment club transferred its account from the original investment dealer to another and during the new account opening process at the new dealer, the Respondent's status as an Approved Person was flagged.
- 18. Subsequently, the Respondent withdrew as a member, due to his concern that he should not have personal assets co-mingled with client assets.
- 19. He awarded his units in the investment club to one of his adult children, while retaining his voting status via a permanent proxy. The Respondent ceased all activity in the investment club in August 2018.

Potential Material Conflicts of Interest

- 20. In 2016, while involved in the investment club, the Respondent opened accounts at CIBC for two clients, JD and KE, who were members of the investment club.
- 21. The Respondent admitted to Enforcement Staff that he had a potential material conflict of interest in relation to the two clients by acting as their investment advisor while also being a member of the investment club.
- 22. The Respondent failed to disclose potential material conflicts of interest to CIBC and failed to consider and address them.

Internal Discipline

23. In a disciplinary letter dated April 30, 2020 CIBC advised the Respondent that his failure to disclose the OBA was a violation of the firm's policies and procedures and regulatory requirements and that he was in a conflict of interest in relation to the two clients who were also members of the investment club.
24. The April 30, 2020 letter imposed disciplinary action including a requirement that the Respondent cease all activities related to the OBA, pay a fine of \$40,000, and be subject to close supervision. In July 2020, he admitted to CIBC that he had engaged in discretionary trading in the accounts of MM & AM in February 2020.
25. In August 2020, CIBC terminated the Respondent's employment for cause; the \$40,000 internal discipline fine was not paid.

Early Resolution Offer

26. The Respondent has admitted the misconduct described above reducing the length of time required to investigate this matter and agreed to resolve this matter in a timely manner. The Respondent accepted Enforcement Staff's settlement offer which granted a 30% reduction on the fine Enforcement Staff otherwise would have sought. The Respondent has agreed to disgorge the amounts obtained as a result of executing the discretionary trades.

PART IV – CONTRAVENTIONS

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

- (i) Between January and February 2020, the Respondent engaged in discretionary trading in certain client accounts, contrary to Dealer Member Rule 1300.4;
- (ii) Between 2015 and 2018, the Respondent engaged in an outside business activity without disclosure to, or approval from, his Dealer Member, contrary to Dealer Member Rule 18.14; and
- (iii) In 2016, the Respondent failed to disclose, consider, and address potential material conflicts of interest when he opened accounts for two clients, contrary to Dealer Member Rule 42.

PART V – TERMS OF SETTLEMENT

28. The Respondent agrees to the following sanctions and costs:
- a) Global fine of \$42,000;
 - b) Disgorgement of \$1,111.72;
 - c) A prohibition of approval for 3 months; and
 - d) Costs of 10,000.
29. 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

30. 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.

31. 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

32. This Settlement Agreement is conditional on acceptance by the Hearing Panel.
33. 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.
34. 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.
35. 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.
36. 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.

37. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.
38. 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.
39. If this Settlement Agreement is accepted, the Respondent agrees that neither [he/she/it] nor anyone on [his/her/its] behalf, will make a public statement inconsistent with this Settlement Agreement.
40. 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

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

DATED this "23" day of "August", 2021.

"Witness"
Witness

"Scott Andrew Hanson"
Scott Andrew Hanson

DATED this "24" day of "Aug.", 2021.

"Witness"
Witness

"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 "16" day of "September", 2021 by the following Hearing Panel:

Per: "Christopher Bredt"
Panel Chair

Per: "Christopher Hill"
Panel Member

Per: "Peter Gribbin"
Panel Member