

**IN THE MATTER OF:**

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

**AND**

**HOWARD TSAO**

**NOTICE OF HEARING**

An initial appearance (“Initial Appearance”) will be held before a hearing panel (“Hearing Panel”) of the Investment Industry Regulatory Organization of Canada (“IIROC”) pursuant to Sections 8203 and 8205 of the Consolidated Enforcement, Examination and Approval Rules of IIROC in this matter. The purpose of the Initial Appearance is to schedule a hearing (“Hearing”).

The Initial Appearance will be held via videoconference on November 26, 2021 at 10:00 a.m.

The Respondent must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated September 15, 2021 (“Statement of Allegations”) in accordance with Section 8415 within 30 days from the effective date of service of this Notice of Hearing.

If the Respondent does not file a Response in accordance with Section 8415(1), the Initial Appearance may be immediately converted to a Hearing.

If the Respondent files a Response in accordance with Section 8415(1), the Initial Appearance will be immediately followed by an initial prehearing conference. In preparation for the prehearing conference, the Respondent must serve and file a prehearing conference form in accordance with Section 8416(5).

The purpose of the Hearing will be to determine whether the Respondent has committed the contraventions that are alleged by the staff of IIROC (“Staff”). The alleged contraventions are contained in the Statement of Allegations.

Pursuant to Section 8409, the Hearing will be conducted as an:

Electronic Hearing

The Respondent may object to the format of the Hearing. The objection must be made in accordance with Section 8409.

The Initial Appearance, the Hearing and all related proceedings will be subject to the Rules of Practice and Procedure as set out in Section 8400.

Pursuant to the Rules of Practice and Procedure, the Respondent is entitled to attend the Hearing and to be heard, to be represented by counsel or by an agent, to call, examine and cross-examine witnesses, and to make submissions to the Hearing Panel at the Hearing.

If the Respondent fails to serve a Response at the Hearing the Hearing Panel may, pursuant to Section 8415(4):

- (a) proceed with the hearing as set out in this Notice of Hearing, without further notice to the Respondent;
- (b) accept as proven the facts and contraventions set out by Staff in the Statement of Allegations; and
- (c) order sanctions and costs against the Respondent pursuant to Sections 8209, 8210 and 8214.

If the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by Staff in the Statement of Allegations, the Hearing Panel may, pursuant to Section 8210, impose any one or more of the following sanctions:

- (a) a reprimand;
- (b) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention;
- (c) a fine not exceeding the greater of:
  - (i) \$5,000,000 per contravention; and
  - (ii) an amount equal to three times the profit made or loss avoided by the person, directly or indirectly, as a result of the contravention.

- (d) suspension of the person's approval or any right or privilege associated with such approval, including access to a Marketplace, for any period of time and on any terms and conditions;
- (e) imposition of any terms or conditions on the person's continued approval or continued access to a Marketplace;
- (f) prohibition of approval in any capacity, for any period of time, including access to a Marketplace;
- (g) revocation of approval;
- (h) a permanent bar to approval in any capacity or to access to a Marketplace;
- (i) permanent bar to employment in any capacity by a Regulated Person,
- (j) any sanction determined to be appropriate under the circumstances.

If the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by the Staff in the Statement of Allegations, the Hearing Panel may assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances pursuant to Section 8214.

**DATED** this 15 day of September, 2021.

**"National Hearing Officer"**

**NATIONAL HEARING OFFICER**

Investment Industry Regulatory Organization of Canada  
Suite 2000, 121 King Street West  
Toronto, Ontario, M5H 3T9

**IN THE MATTER OF:**

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

**AND**

**HOWARD TSAO**

**STATEMENT OF ALLEGATIONS**

Further to a Notice of Hearing dated, September 15, 2021, Enforcement Staff make the following allegations:

**PART I – REQUIREMENTS CONTRAVENED**

- (i) Between June 2017 and February 2020, the Respondent engaged in an outside business activity by serving as Treasurer and Board Member for three condominium corporations for which he was also the Registered Representative and misled his Dealer Member about the activity, contrary to Dealer Member Rule 18.14 and Consolidated Rule 1400.
- (ii) Between March 2020 and October 2020, the Respondent failed to cooperate with Enforcement Staff who were conducting an investigation, contrary to section 8104 of Consolidated Rule 8100.

## PART II – RELEVANT FACTS AND CONCLUSIONS

### Overview

1. The Respondent was a Registered Representative (“RR”) at a branch of RBC Dominion Securities Inc. (“RBC DS”) between June 2017 and February 2020 (the “Relevant Period”). The Respondent was terminated from RBC DS on February 20, 2020 and has not been an IIROC registrant since.
2. In June 2017, the Respondent disclosed to RBC DS that (1) he served as Treasurer and Board Member for three condominium corporations (the “Condominium Corps”); and (2) the Condominium Corps held accounts with him at RBC DS. The Respondent requested that RBC DS approve this outside business activity (“OBA”). Concerned about the potential conflict of interest, RBC DS declined the Respondent’s request for the OBA in June 2017. The Respondent provided RBC DS with resignation letters dated October 10, 2017 as evidence that he had resigned from his role as Treasurer and Board Member from all three Condominium Corps.
3. Nevertheless, the Respondent continued to serve as Treasurer and Board Member for the Condominium Corps. He also continued to be the RR of record for the Condominium Corps.
4. RBC DS terminated the Respondent for cause on February 20, 2020 due to his misrepresentations.
5. The Respondent did not reply to numerous attempts made by Enforcement Staff to communicate with him. The Respondent failed to attend and answer questions as requested by Enforcement Staff.

### **The Outside Business Activity**

6. The Respondent was the Treasurer and Board Member for the Condominium Corps. He was also their RR of record. The Condominium Corps held GICs in their respective accounts at RBC DS.

### **The Outside Business Activity Request was Denied by RBC DS**

7. RBC DS's internal policies and procedures require RRs to complete an OBA/Plan of Supervision Request Form ("OBA Request Form") and submit it to Compliance for approval.
8. The Respondent submitted three OBA Request Forms (one for each Condominium Corp) to Compliance on June 20, 2017. RBC DC Compliance denied all three OBA Request Forms on June 28, 2017. The Respondent was informed in writing at this time that his OBA requests were denied by RBC DS Compliance.

### **The Respondent Advised RBC DS that he Resigned from the OBA**

9. Since the OBA Request Form was denied, the Respondent advised RBC DS that he would resign as Treasurer and Board Member for the Condominium Corps. The Respondent provided RBC DS three signed letters of resignation (one for each Condominium Corp) dated October 10, 2017.
10. The Respondent signed Annual Attestation disclosure forms for 2018 and 2019 indicating that he had no OBAs.

### **The Respondent Misled RBC DS and Did Not Resign from the OBA**

11. The Respondent did not actually resign from his role as Treasurer and Board Member of the Condominium Corps, despite advising RBC DS that he had done so.
12. The Respondent continued as RR of record for the Condominium Corps.
13. The Condominium Corps each held an account invested in Guaranteed Investment Certificates. They were each operated as fee-based accounts until January 2019 when they were switched to commission-based accounts per the Condominium Corps' request. Due to the Respondent's delay in switching the accounts to commission-based, RBC DS compensated the Condominium Corps approximately \$26,422 in fees.
14. The Respondent earned \$45,532 in fees for the accounts between September 2017 and December 2018 alone.

### **Failure to Cooperate with Enforcement Staff's Investigation**

15. The Respondent was informed of Enforcement Staff's investigation in March 2020. Case Assessment sent the Respondent a letter providing him with the opportunity to respond. The Respondent did not provide a written response.
16. Between August and September 2020 Enforcement Staff telephoned the Respondent five times. The Respondent never answered the telephone. Enforcement Staff left a voicemail each time. The Respondent never responded to the voicemails.
17. On October 1, 2020, a request was sent to the Respondent's residential address advising of a virtual interview date of October 29, 2020. On October 19, 2020, Enforcement Staff telephoned the Respondent and left another voicemail. On October 20, 2020, the Respondent telephoned Enforcement Staff and advised that he had been living outside of

Canada since his termination from RBC DS. During this phone call, Enforcement Staff again advised of the virtual interview date.

18. The Respondent did not attend the interview or communicate with Enforcement Staff regarding his non-attendance.

**DATED** at Toronto, Ontario this 15 day of September, 2021.