



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Jeong Heon (Abraham) Shin

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Settlement Hearing, the Mutual Fund Dealers Association of Canada (the “MFDA”) will announce that it proposes to hold a hearing to consider whether, pursuant to section 24.4 of By-law No. 1, a hearing panel of the Central Regional Council (the “Hearing Panel”) of the MFDA should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the MFDA (“Staff”) and the Respondent, Jeong Heon (Abraham) Shin (the “Respondent”).

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff conducted an investigation of the Respondent’s activities. The investigation disclosed that the Respondent had engaged in activity for which the Respondent could be penalized on the exercise of the discretion of the Hearing Panel pursuant to s. 24.1 of By-law No. 1.

3. Staff and the Respondent recommend settlement of the matters disclosed by the investigation in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule “A”.

4. Staff and the Respondent agree that the terms of this Settlement Agreement, including the attached Schedule “A”, will be released to the public only if and when the Settlement Agreement is accepted by the Hearing Panel.

III. ACKNOWLEDGMENT

5. Staff and the Respondent agree with the facts set out in Part IV herein for the purposes of this Settlement Agreement only and further agree that this agreement of facts is without prejudice to the Respondent or Staff in any other proceeding of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the MFDA (subject to Part IX) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is accepted by the Hearing Panel.

IV. AGREED FACTS

Registration History

6. Commencing March 14, 2003, the Respondent was registered in Ontario as a dealing representative.

7. From November 1, 2003 to September 21, 2020, the Respondent was registered with Royal Mutual Funds Inc. (the “Member”), a Member of the MFDA.

8. At all material times, the Respondent was also an employee of the Royal Bank of Canada (the “Bank”), the bank affiliate of the Member.

9. On September 21, 2020, the Respondent resigned from the Member and is no longer registered in the securities industry in any capacity.

10. At all material times the Respondent conducted business in the Toronto, Ontario area.

Misappropriation

11. As described in more detail below, the Respondent misappropriated money from two clients and borrowed money from two other clients to satisfy the margin call on his personal direct trading account (the “Trading Account”) and to pay other personal expenses. In February 2020, the Respondent had margined the account to approximately CAD\$626,000 and US\$82,000. Between January 2020 and March 2020, the value of the Respondent’s investments in the Trading Account decreased from approximately \$750,000 to \$180,000. The Respondent initially attempted

to satisfy the margin call with his personal resources, but by March 2020 he did not have sufficient sources of financing.

Client KL

12. At all material times, client KL was a client of the Member whose accounts were serviced by the Respondent. At the time of the events described herein, client KL was 74 years old and by virtue of her age was a vulnerable client.

13. On March 9, 2020, the Respondent set up an online banking profile for client KL with the Bank without the client's knowledge or authorization. The Respondent used the online banking profile to open a new account with the Bank in the name of client KL (the "KL False Account").

14. On the same day, the Respondent redeemed the entirety of client KL's Tax Free Savings Account ("TFSA") without her knowledge or authorization, totalling \$54,481.73, which the Respondent directed to the KL False Account. On March 12, 2020, the Respondent transferred \$50,000 to repay money he borrowed from client JK as described below at paragraph 26.

15. On March 18, 2020, the Respondent withdrew the remaining \$4,481.73 from the KL False Account and used it for his personal benefit.

16. In November 2020, the Member reversed the position in client KL's investment account to restore client KL to the position she would have been in had the misappropriation not occurred. On November 20, 2020, the Respondent paid \$57,000 to the Bank on account of the Bank's reimbursement of KL's investment account.

Client CK

17. At all material times, client CK was a client of the Member whose accounts were serviced by the Respondent. At the time of the events described herein, CK was 90 years old and by virtue of her age was a vulnerable client.

18. On March 23, 2020, without the knowledge or authorization of client CK, the Respondent logged into client CK's online banking portal with the Bank using his credentials as a Bank employee and reset client CK's online banking password. The Respondent then used client CK's online banking to open a new account with the Bank (the "CK False Account") to which he could transfer money from client CK's investment accounts without arousing suspicion.

19. On the same day, without client CK's knowledge or authorization, the Respondent processed a redemption of \$60,000 from client CK's non-registered account and directed the proceeds to the CK False Account. On March 24, 2020, the Respondent issued a \$60,000 bank draft from the CK False Account, payable to the Respondent's spouse.

20. The Respondent did not immediately deposit the \$60,000 bank draft but retained it in his desk drawer at his office in case he required the money for his own personal use.

21. On or about August 17, 2020, the Respondent deposited the \$60,000 bank draft to pay down his personal line of credit.

22. In September 2020, the Respondent reimbursed the Bank \$60,000 the Bank paid to client CK to compensate her for the misappropriation. In addition, the Bank further compensated client CK \$7,671.51 on account of unrealized gains. The Bank has not sought repayment from the Respondent of this amount and the Respondent has not compensated the Bank for this amount.

Personal Financial Dealings

23. At all material times, the Member's policies and procedures required that its Approved Persons identify actual or potential conflicts of interest, report and disclose actual or potential conflicts of interest to the Member, and eliminate or appropriately manage actual or potential conflicts of interest.

Client JK

24. At all material times, client JK was a client of the Member whose accounts were serviced by the Respondent. Client JK worked as a mortgage broker.

25. On March 10, 2020, the Respondent entered into a written loan agreement with client JK to borrow \$100,000 with interest of 10% per annum to be repaid within 3 months. The loan agreement also permitted the Respondent to ask for an extension of time to make the repayment if he provided collateral security. On the same day, client JK obtained a \$100,000 bank draft. The Respondent deposited the bank draft into his personal bank account and subsequently directed the monies to his Trading Account.

26. On March 12, 2020, the Respondent directed \$50,000 to client JK's account using monies that he misappropriated from client KL (discussed above). As a result of the \$50,000 payment, client JK agreed to extend the deadline to repay the borrowed money to December 2020.

27. On November 14 and 16, 2020, the Respondent repaid client JK the remaining \$50,000 balance with interest using his personal resources.

Client WS

28. At all material times, client WS was a client of the Member whose accounts were serviced by the Respondent. Client WS is also the Respondent's sister.

29. On or around March 26, 2020, client WS loaned the Respondent \$100,000 without terms or conditions after learning of his financial difficulties from the Respondent. Client WS provided the Respondent with a \$100,000 cheque, which the Respondent deposited into his personal bank account and subsequently directed the monies to the Trading Account.

30. On March 11, 2021, the Respondent repaid \$90,000 to client WS using his personal resources. WS has confirmed in writing that she has forgiven the remaining \$10,000.

Unauthorized Trading

31. At all material times, the Member's policies and procedures prohibited its Approved Persons from engaging in unauthorized or discretionary trading.

32. In March 2020, the Respondent met with client CK and recommended that she switch her investment in the RBC Select Very Conservative Portfolio ("Conservative Portfolio Fund") to the RBC Premium Money Market Fund ("Money Market Fund") to reduce volatility. Client CK advised the Respondent that she would think about the proposed transaction.

33. On March 23, 2020, without client CK's knowledge or authorization, the Respondent processed a switch in client CK's account totalling \$330,081.63 from the Conservative Portfolio Fund to the Money Market Fund. The Respondent used the online banking access that he had used to facilitate his misappropriation from client CK described above to process the unauthorized switch.

34. As a result of the unauthorized switch, client CK lost a total of \$52,450.54 in gains she would have received had she stayed invested in the Conservative Portfolio Fund. After the Respondent's misconduct came to light, the Member compensated client CK for this loss. The Bank has not sought repayment from the Respondent of this amount and the Respondent has not compensated the Bank for this amount.

Additional Factors

35. The Respondent benefited from the use of the \$114,481 he misappropriated from two clients and the \$200,000 he borrowed from two clients.

36. As described above, the Respondent repaid all the monies that he misappropriated, borrowed, or obtained from KL, CK, JK, and WS (except the \$10,000 forgiven by WS). The predominant source of the repayments was the Respondent's Trading Account, which recovered its value towards the end of 2020.

37. The Respondent's misconduct was discovered in early September 2020, when client CK and her daughter, who was client CK's power of attorney, raised questions with the Respondent concerning discrepancies in client CK's investment account. The Respondent subsequently admitted misappropriating monies from the investment account to client CK and her daughter. After learning of the misappropriation, Client CK's daughter made a complaint to the Bank and to the MFDA.

38. The Respondent fully cooperated with the MFDA's investigation, admitted his misconduct, and sought to settle this matter during the course of the MFDA's investigation. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expenses associated with conducting a full hearing on the allegations.

39. The Respondent's misappropriation of money from client CK was reported by Global News on November 19, 2020.

40. The Bank informed the police of the Respondent's misappropriation from clients KL and CK.

41. The Respondent states that he has been unable to find employment since he resigned from the Member.

42. The Respondent has not previously been subject to a MFDA disciplinary proceeding.

V. CONTRAVENTIONS

43. The Respondent admits that between March 2020 and August 2020, he misappropriated \$114,481 from two elderly clients, contrary to MFDA Rule 2.1.1.

44. The Respondent admits that between March 2020 and November 2020, he engaged in personal financial dealings with two clients by soliciting and accepting \$200,000 from the clients, which gave rise to a conflict or potential conflict of interest that he failed to disclose to the Member or otherwise address by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to the Member's policies and procedures and MFDA Rules 2.1.4, 1.1.2, 2.5.1, and 2.1.1.

45. The Respondent admits that on or around March 23, 2020, he processed a switch of \$330,081 in a client's account without the client's authorization, contrary to the Member's policies and procedures and MFDA Rules 2.1.1, 1.1.2, and 2.5.1.

VI. TERMS OF SETTLEMENT

46. The Respondent agrees to the following terms of settlement:

- a) the Respondent shall be permanently prohibited from conducting securities related business while in the employ of or in association with a Member of the MFDA upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(e) of MFDA By-law No. 1;
- b) the Respondent shall pay fine in the amount of \$50,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of MFDA By-law No. 1;
- c) the Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA By-law No. 1;
- d) the Respondent shall attend by videoconference on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

47. If this Settlement Agreement is accepted by the Hearing Panel, Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the contraventions described in Part V of this Settlement Agreement, subject to the provisions of Part IX below. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any contraventions that are not set out in Part V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the

contraventions set out in Part V, whether known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

48. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central Regional Council of the MFDA on a date agreed to by counsel for Staff and the Respondent. MFDA Settlement Hearings are typically held in the absence of the public pursuant to section 20.5 of MFDA By-law No. 1 and Rule 15.2(2) of the MFDA Rules of Procedure. If the Hearing Panel accepts the Settlement Agreement, then the proceeding will become open to the public and a copy of the decision of the Hearing Panel and the Settlement Agreement will be made available at www.mfda.ca.

49. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and the Respondent also agree that if this Settlement Agreement is accepted by the Hearing Panel, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive his rights to a full hearing, a review hearing or appeal before the Board of Directors of the MFDA or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction.

50. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, then the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to s. 24.1.1 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of By-law No. 1.

51. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against him.

52. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under section 24.3 of the By-laws of the MFDA against the Respondent based on, but not limited to, the facts set out in Part IV of the Settlement Agreement, as well as

the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the proceeding(s) may be heard and determined by a hearing panel comprised of all or some of the same members of the hearing panel that accepted the Settlement Agreement, if available.

IX. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

53. If, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel or an Order in the form attached as Schedule "A" is not made by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to sections 20 and 24 of By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

54. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

X. DISCLOSURE OF AGREEMENT

55. The terms of this Settlement Agreement will be treated as confidential by the parties hereto until accepted by the Hearing Panel, and forever if, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel, except with the written consent of both the Respondent and Staff or as may be required by law.

56. Any obligations of confidentiality shall terminate upon acceptance of this Settlement Agreement by the Hearing Panel.

XI. EXECUTION OF SETTLEMENT AGREEMENT

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

DATED this 28th day of April, 2022.

“Jeong Heon Shin”

Jeong Heon Shin

“JR”

Witness – Signature

JR

Witness – Print name

“Charles Toth”

Staff of the MFDA

Per: Charles Toth

Vice-President, Enforcement



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**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Jeong Heon (Abraham) Shin

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Settlement Hearing pursuant to section 24.4 of MFDA By-law No. 1 in respect of Jeong Heon (Abraham) Shin (the "Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated [date] (the "Settlement Agreement"), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to ss. 20 and 24.1 of MFDA By-law No. 1;

AND WHEREAS the Hearing Panel is of the opinion that the Respondent:

- a) between March 2020 and August 2020, misappropriated \$114,481 from two elderly clients, contrary to MFDA Rule 2.1.1;
- b) between March 2020 and November 2020, engaged in personal financial dealings with two clients by soliciting and accepting \$200,000 from the clients, which gave rise to a conflict or potential conflict of interest that he failed to disclose to the Member or otherwise address by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to the Member's policies and procedures and MFDA Rules 2.1.4, 1.1.2, 2.5.1, and 2.1.1; and

- c) on or around March 23, 2020, processed a switch of \$330,081 in a client's account without the client's authorization, contrary to the Member's policies and procedures and MFDA Rules 2.1.1, 1.1.2, and 2.5.1.

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a consequence of which:

1. The Respondent is permanently prohibited from conducting securities related business while in the employ of or in association with a Member of the MFDA, pursuant to section 24.1.1(e) of MFDA By-law No. 1.
2. The Respondent shall pay a fine in the amount of \$50,000 in certified funds on the date of this Order, pursuant to section 24.1.1(b) of MFDA By-law No. 1.
3. The Respondent shall pay costs in the amount of \$5,000 in certified funds on the date of this Order, pursuant to section 24.2 of MFDA By-law No. 1.
4. If at any time a non-party to this proceeding, with the exception of the bodies set out in section 23 of MFDA By-law No. 1, requests production of or access to exhibits in this proceeding that contain personal information as defined by the MFDA Privacy Policy, then the MFDA Corporate Secretary shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all personal information, pursuant to Rules 1.8(2) and (5) of the MFDA *Rules of Procedure*.

DATED this [day] day of [month], 20[].

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]